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TWA Ex, 10, page 1
(Letter - Boeing to TWA re 707 Negotiations, 12/29/54)

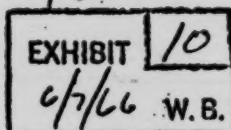
AX-643a

BOEING AIRPLANE COMPANY
SEATTLE 14, WASHINGTON

December 29, 1954

TWA

IN REPLY REFER TO
550-480.19



Mr. R. W. Rummel
Chief Engineer
Trans World Airline, Inc.
10 Richards Road
Kansas City 5, Missouri

Dear Bob:

I tried to call you yesterday to extend a few felicitations for the coming year and to follow up with some planning re your "707" evaluation. I found you were taking a few days of well deserved vacation and as a result I am writing this letter so you will have it on your return.

So that you will be informed I am enclosing a copy of Wellwood Peck's wire to Howard Hughes along with a copy of Mr. Allen's letter to Ralph Daron. Mr. Allen's letter suggests that we try for the week of January 10th; actually this is somewhat previous for us due to some further revisions in our performance document and as an alternative I would like to offer the week of the 17th. We would also like to urge you to come to Seattle. We have the airplane here and can draw on our technical staff for detailed discussions. However, if this is not possible we can come to Kansas City and I am sure we can accomplish a great deal.

All for now, I'll call you Wednesday or Thursday of next week and perhaps we can solidify a few plans.

Kindest regards,

K. C. Gordon
Manager - Commercial Sales
BOEING AIRPLANE COMPANY

Enclosures (2)

TWA Ex. 10, page 2
(Letter - Boeing to TWA re 707 Negotiations, 12/29/54)

CHRONOLOGICAL

December 27, 1954

Dear Ralph:

You indicated in your letter of November 26 that you would try to attend a 707 presentation scheduled for Kansas City the 13th and 14th of this month. Unfortunately, due to the heavy schedule of your technical people, the meeting and presentation were postponed and a new date has not been established.

I do want you to know that we are most anxious to make our presentations and I am confident that they will be of extreme interest to you. We are ready at any time convenient to you and at any location you desire. We would like to suggest Seattle due to the availability of our prototype airplane and our ability to draw upon our engineering staff for detail technical discussions. It will also permit you to review our other projects which have contributed so much to the success of our prototype.

Incidentally, we now have a total of fifty-nine flights for a total of ninety-two hours and thirty minutes on the prototype. We are more than pleased with the results to date.

Please let us know when your schedule will permit you to sit in on a presentation. We suggest the week of January 10.

Sincerely yours,

William M. Allen

Mr. R. S. Daron, President
Trans World Airlines, Inc.
10 Richards Road
Kansas City 5, Missouri

TWA Ex. 10, page 3
(Letter - Boeing to TWA re 707 Negotiations, 12/29/54)

DECEMBER 29

10001-FR

WAGE /021/ SEAT SE 030 FR 12/23/54 115P RC

MR. HOWARD HUGHES - PERSONAL

7000 ROYALME ST - DELIVER

HOLLYWOOD 38, CALIF

AS A LITTLE CHRISTMAS PRESENT TO YOU MAY I LEAVE WITH YOU A SUGGESTION, AND THAT IS TO HAVE AN APPRAISAL MADE BY COMPETENT INDEPENDENT AUTHORITY AS TO THE EARLIEST DATE ANY AMERICAN BUILT TURBOPROP POWERED TRANSPORT WILL BECOME CERTIFICATED AND OPERATIONAL ON ANY AIRLINE, AS COMPARED TO WHEN THE BOEING 707 WILL BE OPERATIONAL ON ANY AIRLINE. IT IS A FACT THAT A TURBOJET POWER PLANT IS LESS COMPLICATED, FURTHER DEVELOPED AND THEREFORE WILL BE MORE RELIABLE IN SERVICE. FURTHERMORE, EVEN THOUGH THE DC-7 IS NOT AS COMFORTABLE TO RIDE IN AS THE DC-6 OR COMET, IT IS A FACT THAT IT IS TAKING BUSINESS AWAY FROM BOTH BECAUSE IT'S FASTER. THE TURBOJET TRANSPORT WILL BE AT LEAST ONE HUNDRED MILES PER HOUR FASTER THAN A TURBOPROP TRANSPORT. THESE FACTS SHOULD BE GIVEN SERIOUS CONSIDERATION WITH ALL THE SALES HOOKS ELIMINATED. HOPE YOU CAN COME TO SEATTLE SOON TO SEE OUR PROTOTYPE AND TO DISCUSS ECONOMICS, AIRPLANE PERFORMANCE AND DELIVERY POSITIONS WITH US. OTHERS ARE HERE.

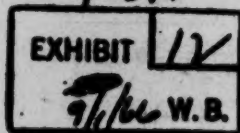
MERRY CHRISTMAS AND HAPPY NEW YEAR.

WELLSWOOD

AX-644

TWA Ex. 12
(Toolco-Convair CV-990 Purchase Agreement-11/10/60)

CHRONOLOGICAL



PURCHASE AGREEMENT

between

GENERAL DYNAMICS CORPORATION
(Convair Division)

LCOs

and

HUGHES TOOL COMPANY
Revised 10, 1960

Relating to Manufacture of
Convair 440 Aircraft

Date: 10 November 1960

END-HOUSTON
13947-Jw1

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HTC-HOUSTON

13847-262

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (hereinafter called the "Agreement") entered into as of this 11th day of January 1960, by and between GENERAL DYNAMICS CORPORATION, a Delaware corporation, having an office (Convair Division) at San Diego, California (hereinafter called "CONVAIR"), and HUGHES TOOL COMPANY with its offices at Houston, Texas (hereinafter called "Buyer"):

WITNESSETH:

WHEREAS, Buyer desires to purchase aircraft of the type hereinafter described for the transportation of passengers, mail, express and cargo, and CONVAIR desires to manufacture and sell the same to Buyer:

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1

Subject Matter of Sale

CONVAIR shall manufacture (including the assembly of subcontracted and purchased parts) at its San Diego plant and sell and deliver to Buyer, and Buyer shall purchase and accept delivery of from CONVAIR the following:

- (a) Six (6) Convair 600 aircraft (hereinafter called "Aircraft") to be manufactured by CONVAIR in accordance with the terms of this Agreement and CONVAIR's Detail Specification Report No. ZD-30-010, dated 1 August 1958, Revision 4 dated 16 November 1959 together with Addendum III dated May 3, 1960 (hereinafter called "Detail Specification") set forth in Exhibit A

— (Toolco-Convair CV-990 Purchase Agreement-11/10/60)

attached hereto and made a part hereof, as the same may be modified pursuant to Article 5 hereof.

(b) CONVAIR will manufacture, deliver and sell to Buyer, and Buyer will purchase from CONVAIR spare parts for said Aircraft in accordance with Article 4 hereof.

ARTICLE 2**Delivery of Aircraft****(a) Delivery Schedule**

- (1) The Aircraft shall be tendered for delivery to Buyer, serviced except for fuel, ready for flight not later than the last day of the month set forth in the following schedule:

<u>Month of Delivery</u>	<u>Number of Aircraft</u>
July 1961	One (1)
August 1961	Two (2)
September 1961	Two (2)
October 1961	One (1)

- (2) The point of delivery shall be such point in the United States as may be designated by Buyer and at which the Aircraft can be landed. All expenses of, and in connection with, fly-away from San Diego, California, shall be borne by Buyer.
- (3) Upon delivery to Buyer of each Aircraft in accordance with the terms hereof, title to and all risks in connection with such Aircraft shall pass from CONVAIR to Buyer.

- (4) In the event any Aircraft is ready for delivery and CONVAIR so notifies Buyer of this fact but delivery of any such Aircraft is delayed by Buyer (whether or not such delay is out of Buyer's control), Buyer shall promptly reimburse CONVAIR for all cost and expense, including, but not limited to, reasonable compensation for storage, insurance, preservation, protection and all taxes of every nature whatsoever, incurred by CONVAIR during, or paid or incurred as a result of any such delay in excess of one (1) week.
- (5) In the event any Aircraft is destroyed or damaged beyond repair prior to delivery, CONVAIR shall be obligated to deliver, as a replacement, the first available unsold aircraft of the same basic model; provided, however, that Buyer shall make written request therefor within thirty (30) days after receiving notice from CONVAIR of such destruction or damage, which notice shall specify the approximate date on which such replacement Aircraft will be delivered to Buyer; and provided further, that the time reasonably required by CONVAIR to furnish a replacement for such Aircraft shall be deemed an excusable delay under paragraph (a) of Article 9 hereof, except that neither Buyer nor CONVAIR shall have the right to terminate this Agreement

provided in paragraphs (b) and (c) of said Article 9 by virtue of such delay; and provided further, that in the event the manufacture of additional aircraft to replace the Aircraft so destroyed or damaged beyond repair cannot be accomplished by CONVAIR without the reactivation of the Convair 600 type aircraft production line, or such part thereof as has been discontinued, CONVAIR shall have the right exercisable by delivery of notice to Buyer within sixty (60) days after the date of such destruction or damage beyond repair to terminate this Agreement as to such Aircraft. In the event of any such termination, or if Buyer shall not have made written request that CONVAIR deliver such replacement aircraft within thirty (30) days after receiving notice from CONVAIR of such destruction or damage, the number of Aircraft to be delivered hereunder shall be reduced by the Aircraft so damaged or destroyed and CONVAIR shall forthwith repay to Buyer all payments theretofore made by Buyer with respect to that Aircraft.

(Toolco-Convair CV-990 Purchase Agreement-11/10/60)

ARTICLE 3Price of and Payment for Aircraft

(a) Price. The total Base Price of the Aircraft purchased hereunder shall be \$26,061,768, computed on a unit Base Price of \$4,343,628 per unit delivered in accordance with Article 2 hereof. Said total Base Price of the Aircraft shall be increased or decreased as the case may be by Change Orders, if any, pursuant to the provisions of Article 5 hereof.

(b) Payments. The total price of the Aircraft purchased hereunder shall be paid as follows:

- (1) An initial installment payment in the amount of \$3,257,721, representing twelve and one-half percent (12-1/2%) of the total Base Price of the Aircraft, upon execution of the Agreement.
- (2) Two (2) additional installment payments, each representing ten percent (10%) of the total Base Price of the Aircraft as follows:

AmountDue Date

\$2,606,176.80

February 1, 1961

2,606,176.80

May 1, 1961

- (3) The balance of the Base Price of each Aircraft increased or decreased as the case may be by Change Orders, if any, pursuant to Article 5 hereof upon tender of delivery in accordance with Article 2 hereof, of each of the Aircraft manufactured in accordance with the terms of this Agreement and the Detail Specification.

(c) All payments provided for in this Agreement shall be made in United States dollars.

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ARTICLE 5

Changes

(a) The Detail Specification may be amended at the instance of either party from time to time by Change Orders in writing, which shall set forth in detail the particular specification involved, the changes to be made therein, and the effect, if any, of such change on price, design, performance, weight, balance and time of delivery. CONVAIR shall not unreasonably fail to offer for consideration as a change under this paragraph (a) any improvement developed by CONVAIR for incorporation in Convairst 600 aircraft after the date of this Agreement and prior to delivery of all the Aircraft.

(b) CONVAIR reserves the right to substitute equivalent equipment, accessories, materials of construction or design whenever it is deemed that such substitution is necessary to prevent delay in manufacture or delivery, or meet requirements of the Federal Aviation Agency, or whenever CONVAIR deems that such substitution will improve the performance, stability and control, utility, maintenance, or appearance of the Aircraft, or installation; provided, that in no instance shall any such substitution increase the price of any Aircraft or affect CONVAIR's obligations under this Purchase Agreement and provided further, that CONVAIR promptly shall give written notice to Buyer of such substitution.

(c) All Change Orders shall show the Aircraft affected and the recurring and non-recurring charges or credits to Buyer occasioned thereby. The

non-recurring charges or credits may be reflected on the invoice covering the first Aircraft to which the change is applicable, and the recurring charges or credits shall be reflected on invoices covering each Aircraft to which the change is applicable.

(d) Change Orders shall not be binding on either party and shall not be carried out unless and until mutually executed by persons respectively duly authorized in writing by CONVAIR and Buyer. No charges for extras shall be allowed or be collectible from Buyer unless authorized by a Change Order executed as aforesaid, except as otherwise provided herein.

(e) If any law, directive, order, proclamation, regulation or ruling of the United States Government, or any agency thereof becomes effective after the date of this Agreement which requires any change, addition or modification to any undelivered Aircraft in order to obtain an Airworthiness Certificate in the transport category from the United States Federal Aviation Agency, such change, addition or modification shall be made and evidenced by a Change Order specifying the effect, if any, of such change on design, performance, weight, balance and time of delivery. The cost of making any such change, addition or modification shall be borne equally by CONVAIR and Buyer. CONVAIR shall consult with Buyer with respect to the method of accomplishing any such change with a view to reaching agreement on such method; provided, however, that if such agreement cannot be reasonably reached, CONVAIR may make such change without the consent of Buyer but shall do so in a reasonable manner.

(f) CONVAIR may, without Change order or Buyer's consent, make

minor changes and corrections in the Detail Specification in order to correct defects or improve the Aircraft; provided, that such changes and corrections shall not adversely affect price, time of delivery, functional character or performance of any Aircraft to be purchased hereunder or the interchangeability or replaceability of parts therefor, nor appreciably affect the design, maintenance and service characteristics, weight or balance of any such Aircraft; and provided further, that CONVAIR promptly shall give written notice to Buyer or Buyer's Factory Representative detailing such change and corrections and other effect, if any, upon any and all of the matters enumerated in this paragraph (f).

ARTICLE 9

Effects of Delay

(a) CONVAIR shall not be responsible nor be deemed to be in default on account of delays in the performance of this Agreement due to causes beyond CONVAIR's control and not occasioned by its fault or negligence, including, but not being limited to, war; warlike operations; armed aggression; insurrections; strikes; riots; fires; floods; explosions; earthquakes; serious accidents; any act of Government; Governmental priorities, allocation regulations or orders affecting materials, facilities or completed Aircraft; failure or refusal of the Government to issue final airworthiness and type certificates; failure of the Government to release for commercial use the model or type engine specified for installation in the Aircraft; acts of God or the public enemy; failure of transportation; epidemics; quarantine restrictions; or labor troubles causing cessation, slow-down, or interruption of work (said delays being herein called "Excusable Delays"); provided, however, that the existence of such cause shall not excuse CONVAIR for the delay resulting therefrom unless CONVAIR shall have given Buyer written notice of any Excusable Delay referred to above within thirty (30) days (or such additional time as may be approved by Buyer) after CONVAIR has actual knowledge that such occurrences will result in a delay in delivery.

(b) Buyer shall have the option to terminate this Agreement with respect to any undelivered Aircraft, and undelivered spare parts, data and other items purchased for said Aircraft, in the event that the delivery of said Aircraft shall

be delayed for a period of nine (9) months after the end of the calendar month in which delivery is otherwise required hereunder by reason of any one or more Excusable Delays referred to in (a) above. Such termination shall not affect any other undelivered Aircraft (and spare parts, data and other items purchased therefor), the delivery of which shall not have been delayed for a period of nine (9) months. Notice of such termination must be given in writing within fifteen (15) days after the end of such nine (9) month period.

(c) Buyer or CONVAIR shall have the option to terminate this Agreement with respect to all undelivered Aircraft, and undelivered spare parts, data and other items purchased for undelivered Aircraft, in the event that the delivery of any Aircraft shall be delayed by reason of any one or more of the Excusable Delays referred to in (a) above for a period of twelve (12) months after the end of the calendar month in which delivery is otherwise required hereunder. Notice of such termination must be given in writing within fifteen (15) days after the end of such period of twelve (12) months or at such earlier time mutually agreed upon by the parties based upon reasonable proof of such delay.

(d) Buyer or CONVAIR shall have the option to terminate this Agreement with respect to all undelivered Aircraft, and undelivered spare parts, data and other items purchased for undelivered Aircraft, in the event that the delivery of any Aircraft shall be delayed for a period of twenty (20) months after the end of the calendar month in which delivery is otherwise required hereunder by reason of one or more of the Excusable Delays referred to in

(a) above. Notice of such termination may be given in writing at any time after the end of such twenty (20) month period.

(e) The phrase "calendar month in which delivery is otherwise required hereunder" shall mean for all purposes of this Article 9 the month specified in Article 2(a) of this Agreement for delivery of the particular Aircraft.

(f) Termination pursuant to the preceding paragraphs (b), (c), and (d) shall discharge and terminate all obligations and liabilities of the parties hereunder as to said terminated Aircraft and said terminated spare parts, data, and other items purchased therefor, except that CONVAIR shall refund the Buyer all payments theretofore made by Buyer with respect to said terminated Aircraft and said terminated spare parts, data and other items.

(g) In event CONVAIR terminates this Agreement as to any Aircraft, CONVAIR agrees that it will not sell such Aircraft to any other customer without first offering for a period of thirty (30) days to sell such Aircraft to Buyer at a price and on terms and conditions not less favorable to Buyer than CONVAIR proposes to offer to such other customer.

ARTICLE 12**Buyer's Representatives and Inspection**

(a) Commencing with the date of this Agreement and until the delivery of the last Aircraft, CONVAIR shall, without additional charge, furnish office space conveniently located with respect to its plant for the accommodation of not more than five (5) personnel of Buyer. Commencing within three (3) months after the date of this Agreement and until delivery of the last Aircraft, Buyer shall maintain a duly authorized representative, or representatives, (one of whom shall be designated as the "Factory Representative") at CONVAIR's plant, at San Diego, California, where the Aircraft are manufactured. Subject to CONVAIR's general rules and regulations, CONVAIR's construction of Aircraft pursuant to this Agreement, and all materials and parts obtained by CONVAIR therefor, and tests related thereto made at CONVAIR's plant at San Diego, California, shall at all reasonable times during business hours be open to inspection by any duly authorized representative or representatives of Buyer, except that if access to any portion of CONVAIR's plant where construction is in progress or material or parts are stored is restricted by the United States Government or any agency thereof, CONVAIR shall be allowed a reasonable time to make the items available for inspection to the extent practicable elsewhere than in a restricted portion of the plant. Buyer shall obtain for such personnel of Buyer proper United States Government military security clearance for access to CONVAIR's plant at San Diego, California. CONVAIR shall use its best

efforts to obtain correspondingly adequate and reasonable inspection rights for Buyer's representatives with respect to work in process at the plants of CONVAIR's subcontractors.

(b) Any inspection accomplished by Buyer shall be performed so as not to unduly delay or hinder the manufacture, construction or performance by CONVAIR under this Agreement. CONVAIR shall not be obligated to remove parts already installed, remove lining and cover materials or open areas previously closed because of any failure of Buyer to have inspection representatives available at CONVAIR's plant, provided that CONVAIR shall advise Buyer in writing at least thirty (30) days in advance of the scheduled date of arrival of the first Aircraft to be delivered hereunder into the primary assembly stage.

ARTICLE 13**Demonstration and Test Flights**

(a) CONVAIR shall conduct demonstration flights of the first Aircraft to be delivered hereunder (or such other aircraft agreed by Buyer as being aerodynamically similar to Buyer's Aircraft) not in excess of ten (10) flying hours (not including preliminary shakedown flights) in order to demonstrate to Buyer compliance with the performance guarantees specifically designated in the Detail Specification for demonstration to Buyer, the results of which shall be made available to Buyer upon request. For the purposes of the above flights all said demonstration shall be accomplished utilizing fully calibrated aircraft instruments and no special installations shall be required for this purpose. CONVAIR shall also conduct demonstration flights of all other Aircraft hereunder not in excess of three (3) flying hours (not including preliminary shakedown flights) in order to demonstrate to Buyer the satisfactory functioning of the Aircraft and its equipment. It is understood that CONVAIR may use, prior to delivery of any of the Aircraft, not more than three (3) of the Aircraft for certain flight and ground tests to the extent necessary to obtain the required certification of the Aircraft, pursuant to the provisions of the Detail Specification. Buyer shall permit such use of such Aircraft by CONVAIR but upon delivery of any Aircraft equipped with brakes, tires and/or other equipment and accessories, or with any engines, so used for such ground and flight tests, such brakes, tires and/or other equipment and such engines shall not be materially worn. Notwithstanding any provision

of this Agreement to the contrary, no tax resulting from or payable in connection with such use shall be the obligation of Buyer.

(b) Prior to delivery of the first Aircraft, CONVAIR shall furnish to Buyer a report, certified by an officer of CONVAIR to be correct, of flight tests conducted on an aircraft of the same model as the Aircraft to be delivered hereunder (except that the interior may be different). The test results set forth in such report shall be deemed to establish the compliance of each Aircraft with the performance guarantees set forth in the Detail Specification except for those items specifically designated in the Detail Specification for demonstration to Buyer.

(c) Buyer shall be given reasonable advance notice of the time and place of all demonstration flights and shall be permitted to have not more than three (3) representatives participate as observers on any and all such flights. CONVAIR, however, shall have complete control of all demonstration flights, shall bear all costs and expenses incident thereto and shall be solely liable for all injuries to and deaths of persons and damage to or destruction of property arising out of or in connection with the operation of the respective Aircraft during all tests and flight thereof prior to delivery to Buyer except injury to or death of representatives or employees of Buyer or loss or damage to property of Buyer aboard the Aircraft.

(d) If, during any demonstration flights as herein required, any of the Aircraft or any accessory, equipment or part thereon shall fail to conform to or comply with the Detail Specification or shall fail to function properly, CONVAIR promptly and without charge to Buyer shall correct the defects and deficiencies involved and conduct such additional demonstration flights

as may be necessary to demonstrate the proper correction thereof.

(c) Promptly upon the completion of manufacture in accordance with the Detail Specification, each Aircraft shall be submitted at CONVAIR's plant for final inspection including systems checkout and upon completion of the flight tests herein provided for, shall be submitted for technical approval by Buyer. Technical approval of each Aircraft shall be contingent upon conformance of the Aircraft with the requirements of this Agreement and the Detail Specification. Buyer's technical approval or non-approval shall be given within twenty-four (24) hours after completion of Buyer's final inspection of the Aircraft and shall be indicated by endorsement on packing sheets supplied by CONVAIR for such purpose. In the event of technical non-approval of an Aircraft for reasons justified by this Agreement, CONVAIR promptly and without charge to Buyer shall correct the defects and deficiencies upon which such non-approval is based. Promptly after Buyer's technical approval, CONVAIR shall tender delivery of the Aircraft as provided in Article 2 and Buyer shall accept same.

(d) The making of inspections, examinations and tests hereunder by Buyer, its acceptance of any workmanship, material, accessories, equipment or parts as satisfactory and its final inspection and technical approval of any Aircraft shall not relieve CONVAIR from responsibility under its warranties hereunder.

ARTICLE 14

Title to Property and Risks

(a) Risk of loss of, or damage to, each Aircraft and Spare Part shall pass from CONVAIR to Buyer upon, but not prior to, delivery thereof in accordance with the terms of this Agreement.

(b) Upon the delivery of each Aircraft and final payment of the Base Price of such Aircraft, adjusted for changes in accordance with Article 5 hereof, CONVAIR shall deliver to Buyer or such of the persons, firms, or corporations referred to in Article 16 as Buyer may designate in writing at least five (5) days before delivery, a bill of sale duly vesting in Buyer, or such other persons, firm or corporation as Buyer may designate, good title to such Aircraft free and clear of all liens, claims, charges and encumbrances of every kind whatsoever, and such other appropriate documents of title with respect thereto as Buyer may reasonably require.

ARTICLE 16Assignments

(a) This Agreement shall inure to the benefit of and be binding upon each of the parties hereto and their respective successors and assigns, but it may not be voluntarily assigned, in whole or in part, by either party without the prior written consent of the other party, except that either party's interest shall be assignable through merger, consolidation or reorganization which includes voluntary sale or transfer of substantially all of its assets; provided, however, that CONVAIR may assign any of its fixed or contingent rights to receive money hereunder, and Buyer may assign any of its contingent rights to the Aircraft or any of them for the purpose of securing any obligation for the repayment of monies loaned or advanced by any financial institution to finance in whole or in part the purchase of the Aircraft. Notwithstanding the foregoing, Buyer shall have the privilege to assign this Agreement in whole or in part without such consent to Trans World Airlines, Inc., and upon such assignment and full notice thereof to CONVAIR, Trans World Airlines, Inc. shall succeed to such of the rights, privileges, liabilities and obligations of the Buyer hereunder as are so assigned and the Buyer shall cease to have or be subject to such rights, privileges, liabilities or obligations so assigned; provided, that Buyer shall, in the event of assignment to Trans World Airlines, Inc., involving payment obligations under this Agreement, guarantee the due and punctual payment of such obligations by said assignee.

(b) Buyer and its successors and assigns may not, without first obtaining CONVAIR's written consent (which shall not be unreasonably withheld)

resell or lease any Aircraft, or agree to do so, until the expiration of two (2) years after delivery of the first Aircraft hereunder. This limitation shall be expressly included in any assignment made by Buyer under this Article, and be expressly agreed to by the assignee. CONVAIR's permission is hereby granted, however, for lease of the Aircraft to any company for use incidental to equipment interchange or seasonal lease agreement; Buyer may, and at Buyer's request CONVAIR shall, take any action reasonably required for the purpose of causing any Aircraft to be subjected to an equipment trust, conditional sale, lien or other arrangement for the financing by Buyer of the purchase of any such Aircraft; provided, however, that no such action shall subject CONVAIR to any liability which it would not otherwise be subjected to hereunder or modify in any respect CONVAIR's contract rights hereunder or require CONVAIR to divest itself of title to or possession of any such Aircraft until delivery thereof and payment therefor as provided in this Agreement; and Buyer may resell or lease any such Aircraft to Trans World Airlines, Inc.

(e) Buyer shall, within thirty (30) days after the execution of this Agreement, designate a person residing in the United States of America as an authorized representative for all purposes under and in connection with this Agreement, including the execution upon behalf of Buyer of written instruments amending this Agreement or the Detail Specification. Such person may also be the Factory Representative of Buyer referred to in Article 12 hereof. Buyer may from time to time designate a different person as said representative. Wherever used in this Agreement, the term "Buyer's representative" shall be construed to mean the person so designated from time to time by Buyer pursuant to this paragraph (e).

(f) This Agreement shall be construed and the performance thereof shall be determined according to the laws of the State of California.

Executed in quadruplicate as of the day and year first above written.

Attest:


Assistant Secretary

GENERAL DYNAMICS CORPORATION

By W. H. KlineTitle President - Convair Division

By _____

Title _____

HUGHES TOOL COMPANY

By C. H. PriceTitle Vice President

By _____

Title _____

Attest:


Assistant Secretary

HOLLIDAY, RAYMOND

TWA 13-17

HTC ROMAINE

Mon., 2/20/61

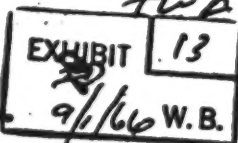
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Regarding GZ engines - have been advised by OE that if HTOO wants to cancel the ten excess CJ805's it must do so by Monday 2/20.

Advised.

Cancel the engines provided we have the privilege to reinstate.



Regarding the Convair negotiations: I urge as follows: Regarding the claim that I would take AAL specs for the model 600's - this is true as to the original specs and at no time have I indicated any hesitation or uncertainty concerning the acceptance of the original AAL specs. At no time did I say that HTOO would take any subsequent change orders placed by AAL without approval of same first.

Convair's argument "why obtain TWA's opinion regarding 3% of the airplanes when TWA will not accept the other 97% is completely improper for the following reasons;

It is not up to Convair to decide whether TWA will accept the so-called 97% of the airplanes. This has never been a matter for discussion. However I obtain TWA's acceptance to this is my own problem; most likely HTOO will control TWA when that matter comes up.

In any event, it is not Convair's worry; the 97% is HTOO's problem.

Now, regarding the 3%; Convair is mistaken in saying it is HTOO's fault that this matter was not resolved because HTOO failed to give decisions; this is an invalid and improper decision which Convair is seeking to take; for this reason we do not want these 3% of changes. We have a signed specification and that specification is the airplane we want. Failure by HTOO to accept changes ordered by AAL simply means by omission that HTOO has elected to take the airplanes without any changes and contractually unless you and R. Cook have permitted a default by failure to make payments, Convair is not obligated to give us the airplane in accordance with the original specifications.

If Convair says HTOO has failed to give a decision with respect to the change orders the answer is simply we failed to order the changes when offered and therefore I say again we elected not to take the changes and this is the way we want the airplane. Convair has no right whatsoever to bill HTOO for the 70 thousand dollars. HTOO demands the airplanes according to the original specifications and does not want any of the changes.

At no time have we agreed to take blanket changes by AAL or any of them for that matter and I do not want them. In other words, Convair wants an answer regarding the change orders and here it is: The answer is no regarding all change orders regarding the original specs. Quite obviously Convair wants HTOO to accept these change orders in the interest of saving Convair money which naturally results from making the HTOO plans identical with the AAL planes. If Convair went ahead and put some of these changes into the HTOO planes it was done not because Convair thought we wanted them and not because Convair was uncertain as to whether we wanted them but simply because Convair wanted to

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put them into the planes and charge us for them for the simple reason that this would save Convair a great deal of money over the other route, namely, to build the planes in accordance with the contract.

I want you to recite all of the above to Convair in detail and I want you to say in spite of my feelings that this is a very bad deal for HCOO and that it is costing HCOO approximately a million dollars for changes which I do not want in the airplanes. Nonetheless, in the interest of getting the entire matter resolved HCOO is willing to do the following:

Give Convair promissory notes as negotiated by you; make no other changes whatsoever in any of the contracts except the one which Convair has requested concerning the 70 thousand dollars of change orders. HCOO will accept that provision exactly as it presently exists as a result of your negotiation with Convair. There are to be, however, absolutely no other changes at this time. This means the contracts will remain as presently drafted concerning delivery. Convair and HCOO to have the following oral understanding: (Not intended to be legally binding but hoped to be morally effective) A statement of intentions that Convair recognize and negotiate and that with respect to items which may be mutually agreed deleted Convair will be reasonable in the pricing. HCOO will arrange for contract administration concerning all aircraft on order in a manner in keeping with Convair's desires either by Bev or someone else (if it is not to be Bev HCOO will make every effort to find someone acceptable to Convair and will submit his name to Convair for discussion prior to assigning him to the position).

Regarding deliveries - HCOO recognizes that present schedule is unrealistic and will sit down with Convair without delay to review proposed new scheduling taking in every way a reasonable viewpoint provided the relative slippage between AAL and TWA is as Convair represents, not disadvantageous to TWA in relation to AAL as compared to their relative position prior to slippage.

In regard to deliveries, you might point out HCOO has had long experience with Boeing, Lockheed and Martin in purchasing transport aircraft; is well aware they rarely come out on time and that you cannot get blood out of a rock so that if the deliveries have slipped then they have slipped and there is nothing we can do about it. You might point out HCOO has never sought to cancel any one of its numerous contracts with airplane manufacturers for reasons of retarded delivery and from the best of my knowledge has never sought to cancel any airplane contract for any other reason. The best evidence of this is the fact that Convair has released us from all liability under the 22N's and we still do not want to cancel this contract and are fighting to avert its cancellation.

Regarding the informal understanding - regarding the four additional 880's; I say that HCOO desires that the contract for these airplanes remains undisturbed. HCOO will notify Convair promptly of the disposition of the airplanes. HCOO has offered the four airplanes to TWA. If TWA does not take them HCOO will notify Convair promptly of what is desired to be done with these airplanes. In any event, in accordance with Convair's last proposal HCOO does not make any commitment at this time to Convair in any way affecting these airplanes either for cancellation or otherwise and they

HOLLIDAY, RAYMOND

Mon., 2/20/61 (continued)

are not allocated to TWA; nor are any other unallocated airplanes to be allocated to TWA until TWA makes at least a satisfactory oral agreement with HICO with respect to these four additional airplanes.

Regarding the 22M's, HICO is aware that Convair contends that Convair is no longer obligated contractually to HICO with respect to these airplanes. HICO does not consent to or acquiesce to this position by Convair but at the same time Convair does not change the documents to be signed at this time or desire anything toward reinstatement of the 22M contract.

However, HICO will appreciate very much indeed Convair withholding for as many days as is humanly possible any action toward destruction of these aircraft or commitment to anyone else concerning them as HICO is making an immediate all-out effort for TWA to accept these aircraft; taking all measures toward this objective and HICO has confidence in this respect in spite of Convair's apparent receipt of information tending to indicate that TWA is not interested in these airplanes. In addition to this HICO is approaching certain bankers immediately as to the possibility of obtaining financing for the purchase of these aircraft independent of any possible disposition to TWA. HICO is determined to purchase these aircraft; does not want them destroyed or disposed of to others under any circumstances. HICO will make a most determined effort to satisfy Convair immediately of HICO's determination and financial ability to accept and pay for the aircrafts promptly/its obligation in regard to these airplanes without delay.

In summary, you could point out to Convair that the settlement HICO is proposing would give Convair everything that Convair wants in regard to revised specs and additional \$70 thousand dollars added to the price of each model 600 airplane and would put HICO completely at the mercy of Convair in regard to any adjustment of this matter. I consider this concession completely and utterly unfair but I am proposing it as an indication that we want to give and take and we are therefore placing ourselves at Convair's mercy in respect to the adjustment of this matter if Convair should ever decide in Convair's own arbitrary judgment to condescend to make any judgment.

Also, it should be noted that with respect to the seven 22M's, which we so urgently want, again we would be completely at Convair's mercy in regard to any hope of obtaining these airplanes inasmuch as under the proposal I am making no new papers would be signed concerning these aircraft and therefore Convair's present written notice of cancellation would stand unchanged and in full effect.

Make full use of and emphasize most strongly with respect to the two points below: (a) the revised specs and \$70 thousand of additional price; (b) cancellation of the seven 22M's to HICO - we would be completely at the mercy of Convair in any possible discussion concerning a judgment or disposition of these matters.

Then point out to what extent it may seem advisable that in return for HICO placing itself completely at Convair's mercy in respect to the above points, it keeps little enough that Convair trust HICO to sit down immediately

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and discuss the proposed new delivery schedule and to revise the agreement in accordance therewith promptly and without delay.

I urge that you put this to Convair tonight rather than waiting until tomorrow morning unless you feel that this might be undesirable and I urge in the meantime while Convair is considering the above that you consider immediately and report back to me a plan of action in accordance with the following:

That HTOO obtain immediately necessary cash to pay all defaulted amounts; that I am advised as to how much this would be; and I also want to know from you, assuming we could borrow from B of A with a week, how much we could bleed on a temporary and emergency basis of the HTOO cash; and if we could borrow through a loan from the two Houston banks.

I want to know the cash required on the two batches of 600's separately, and how much we owe on the 224's contract to make it fully effective. I want these three figures separately.

Tue. 2/21/61

1:00 p.m. Please stand by at the Beverly Wilshire Hotel with Cook because I am talking to Carver at 2 o'clock and when I get through talking to him I want to be able to reach you both, and I want you to be in a position to go to the bank when I so advise you.

1:20 p.m. Ans: Advised - will be at the hotel.

Fri., 2/24/61

12:30 p.m. We have returned from the meeting at B of A, but we have to go back at 1:45 p.m. They had to break for a luncheon engagement. At this point I have nothing to report.

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[REDACTED] He said that he was in doubt as to whether or not they would agree to the substitution of collateral and he said he couldn't wait until Monday for a formal presentation, so I enumerated what collateral would be available on the alternate basis and he said he was glad to have it then as he couldn't wait for a formal presentation on Monday because he had to meet with the Committee on Monday at 8:30 a.m.

Mon., 2/27/61

5 a.m. You and Cook may proceed on the 1 p.m. flight to NYC provided everything with the Bank of America has been taken care of.

5 a.m. Advised.

2011:5

AMENDMENT NO. 1

to
Purchase Agreement dated 10 November 1960
by and between

GENERAL DYNAMICS CORPORATION
(Convair Division)

and

HUGHES TOOL COMPANY

THIS AGREEMENT (hereinafter called "Amendment No. 1")
entered into as of this 22nd day of February 1961, by and between
GENERAL DYNAMICS CORPORATION, a Delaware corporation, having
an office (Convair Division) at San Diego, California (hereinafter called
"Convair") and HUGHES TOOL COMPANY, with its general offices at
Houston, Texas (hereinafter called "Buyer"):

WITNESSETH:

WHEREAS, Buyer and Convair have entered into a Purchase Agreement
dated 10 November 1960 relating to the purchase and sale of six (6) Convair
600 aircraft (said Purchase Agreement hereinafter referred to as the
"Agreement"); and

WHEREAS, Buyer and Convair now desire to amend said Agreement to
provide for the purchase and sale of seven (7) additional Convair 600 aircraft
and

WHEREAS, Convair's Detail Specification Report No. ZD 30-010 dated
1 August 1958, Revision 4, dated 16 November 1960, together with Addendum
III dated 3 May 1960 referred to in the Agreement does not properly describe

472-1 HOUSTON

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(CV-990 Purchase Agreement-Amendment of 2/22/61)

the aircraft which are the subject matter of the Agreement) and

WHEREAS, Buyer and Convair desire to amend said Agreement to properly describe said aircraft and to otherwise reflect the agreement of the parties hereto;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree to and do hereby amend the Agreement as follows:

1. By deleting paragraph (a) of Article 1 in its entirety and substituting in lieu thereof the following new paragraph (a):

"(a) Six (6) Convair 600 aircraft (hereinafter called "Group A Aircraft") and seven (7) Convair 600 aircraft (hereinafter called "Group B Aircraft"), both groups sometimes hereinafter collectively called "Aircraft". Such Aircraft shall be manufactured by Convair in accordance with the terms of this Agreement and Convair's Detail Specification Report No. ZD 30-010 dated 1 August 1958, Revision 4 dated 16 November 1960, together with Addendum III dated 3 May 1960 and Report ZM-645 dated 11 January 1961, revised 21 February 1961 (hereinafter collectively called "Detail Specification") as set forth in Exhibit A attached hereto and made a part hereof, as the same may be modified pursuant to Article 5 hereof."

2. By deleting Article 2(a)(1) in its entirety and substituting in lieu thereof the following new Article 2(a)(1):

"(1) The Aircraft shall be tendered for delivery to Buyer, serviced except for fuel, ready for flight, not later than the last day of the month set forth in the following schedule:

<u>Month of Delivery</u>	<u>Number of Aircraft</u>
--------------------------	---------------------------

Group A Aircraft

December 1961	One (1)
January 1962	Three (3)
February 1962	Two (2)

Group B Aircraft

February 1962	One (1)
March 1962	Three (3)
April 1962	Three (3)"

3. In Article 3, paragraph (a), by deleting the figure "\$26,061,768" and inserting in lieu thereof the following figure: "\$30,467,164".
4. By deleting Article 3(b) in its entirety and inserting in lieu thereof the following new paragraph (b):

"(b) Payments. The total price of the Aircraft purchased hereunder shall be paid as follows:

- (1) An initial installment payment: applicable to Group A Aircraft in the amount of \$3,257,721, receipt of which is hereby acknowledged.
- (2) Two (2) additional installment payments applicable to Group A Aircraft as follows:

<u>Amount</u>	<u>Due Date</u>
\$2,606,176.80	February 1, 1961
\$2,606,186.80	May 1, 1961

The above installment payment due February 1, 1961 may be made in the form of a negotiable promissory note bearing interest at the rate of six percent (6%) per annum payable to Convair and due and payable June 1, 1961.

(3) An initial installment payment in the amount of \$5,827,700.90, together with interest thereon at six percent (6%) per annum from February 1, 1961 until paid, applicable to Group B Aircraft, upon execution of this Amendment No. 1. Said installment payment may be made in the form of a negotiable promissory note bearing interest at the rate of six percent (6%) per annum dated February 1, 1961 payable to Convair and due and payable June 1, 1961.

(4) Two (2) additional installment payments applicable to the Group B Aircraft as follows:

<u>Amount</u>	<u>Due Date</u>
\$2,153,715.55	June 1, 1961
\$2,153,715.55	November 1, 1961

(5) The balance of the Base Price of each Aircraft increased or decreased as the case may be by Change Orders, if any, pursuant to Article 5 hereof upon tender of delivery in accordance with Article 2 hereof, of each of the Aircraft manufactured in accordance with the terms of this Agreement and the Detail Specification."

Except as specifically amended hereby, all terms and conditions of the Agreement shall remain in full force and effect.

Executed in quadruplicate the day and year first above written.

GENERAL DYNAMICS CORPORATION

Attest.

Edward A. Hunt
Assistant Secretary

By _____

Title President - Convair Division

HUGHES TOOL COMPANY

By C. H. PriceTitle Vice President

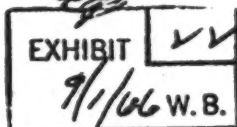
Edward A. Hunt
Assistant Secretary

ETC. HOUSTON

RUMMEL, BOB

TWA Ex. 22, page 1 of 64
(Rummel Call Sheets)

HTC RUMMEL



2/15/56

465

6:15 p.m.
9:30 p.m.

Spec. Reminder: Have you talk with Rummel, Woolman, & Allen?

Thu., 2/23/56 - At Boeing Plant - Olive 34th, Ext. 1516 or Ext. 1781

- 11:50 a.m. (1) Boeing re-examining their delivery position in light of the recent additional Pan American five small jets.
- (2) Zevly called requesting Rummel confer with Convair on the small jets. Do you have any interest in this for Rummel to confer with Convair?

Fri., 2/24/56

2:15 p.m. Called re above message. Would like to talk to HRE.

Mon., 2/27/56

HRE should talk to him per Bill Gay.

Tue., 2/28/56

12:55 a.m. HRE talked to Rummel.

7:05 a.m. Locals.

7:10 a.m. At hotel. Will have breakfast in room and wait for HRE's call. Should leave at 8:30 a.m. to get to Boeing.

Wed., 2/29/56

11:07 p.m. Must talk to HRE before the beginning of the working day Thursday. (In Seattle)

RUMMEL, BOB

HTC ROMAINE
405

Wed., 3/7/56

Mr. Rummel will arrive in Cincinnati at 5:30 p.m. and will stay at the Terrace Plaza Hotel. He will return to Kansas City around 7:00 p.m. Thursday.

Sat., 3/10/56

- 1:15 p.m. I have a meeting with John Collings tomorrow afternoon. I would appreciate a call from HRH before that meeting, either tonight or in the morning.
- 5:15 p.m. Message given to Roy Crawford.

Tues., 3/20/56

- 11:59 a.m. Wants to know if he should come to the coast now in view of the Boeing development. (Rea Hopper had asked that Rummel come out Wed., 3/21. Rummel's flight leaves early afternoon Wed. and would like to be advised one way or the other tonight or Wed., morning.)
- 2:20 p.m. Message given to Roy Crawford.

Wed 3/21/56

- 5:50 p.m. Locate.
- 8:45 p.m. Mr. Rummel located and staying at the Hollywood Knickerbocker BO 5-3171. Rummel met with Rea Hopper and Gen. Baker at Gen. Baker's home.
- 9:25 p.m. HRH advised of the above. Call and tell Bob that I will not be able to call him tonight but will call him tomorrow. Get his itinerary.

Thurs., 3/22/56

- 9:50 p.m. HRH asked for Mr. Rummel's locate.
- 3:50 p.m. Wants to know if he can leave tonight or do you have anything further for him. (NOTE: This cancelled later in evening by Rummel. Bob doing a job for HR tomorrow, and he is leaving for Kansas City Friday night.)

RUMMEL, BOB

HTC ROMAINE

Mon., 3/26/56

965

5:50 p.m. Contact Jack Zevely and arrange for the Convair people to come and meet with you wherever it would be most convenient for you. Perhaps, I suppose, it would be better in Seattle but I suppose it will take several days to assimilate the information and since you are going to be in Seattle, I suppose it would be best for them to come there. Anyway, I want as good a comparison as you can work out between the Convair, the proposed small Boeing and the Boeing 120. I want as good an analysis as you can work out within the next few days as I am going to have to have some answer within a week on it so that I can discuss it with Collings and come to a decision on which airplane we want. Give me the best analysis you can come to. I do not want this to interfere with the work on the specifications of the 320 and therefore, Convair's people will be happy to spend as much of this week as you desire either in Los Angeles, Seattle or Kansas City. You may prefer to have the work go on in Kansas City where some of your technicians are located or you can have them come to Seattle, whichever you prefer. Convair is waiting to send the people tomorrow because I have promised Gen. McHearney an answer right away.

2:40 p.m. Well, the meeting in Seattle isn't until the end of next week. The proposed meeting has been called off, so I'll probably want to meet them in Kansas City. I'll talk to Zevely tomorrow and let you know.

Thur: 3/29/56

9:50 a.m. Would like to speak with HRH today regarding a new development. At his office until 4 p.m. home from 5:30 to 8 p.m. Back home after 11 p.m. KC time/

Fri., 3/30/56

5:55 p.m. When advised, HRH said, "That can wait."

Sun., 4/1/56

4:30 p.m. Get in touch with him and have him find out the details on this plane crash and report to you periodically.

9:00 p.m. You have all the details we have at the present time. I was unofficially told that the tower thought they saw fire in the plane just before it crashed, but this was not official. We can't get anything from the pilot or co-pilot as they are still incoherent from shock. A plane leaving from Kansas City at 9:00 pm to go to Pittsburgh to investigate, a crew of our people will be there at Pittsburgh and I'm sending a man on that 9:00 pm plane. They are investigating Pittsburgh now.

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RUMMEL, BOB

HTC ROMAINE

Thurs., 4/5/56

465

6:45 p.m.

Call him wherever he is - either in Kansas City or Seattle - and tell him you're sending this package up to him. Tell him that we'll have another one for him sent up in the morning. Do not have Bob himself pick up the package, just have one of his men pick it up as soon as it arrives.

Sun., 4/8/56

10:55 p.m.

I have the equipment study that HRE requested two weeks ago pretty much in shape now and can discuss it at HRE's convenience. I'll be at Boeing most of the day Monday, tomorrow - Olive 3414, Ext. 1657; will probably leave around 5:30 pm to catch UAL Flt. 672 to San Francisco, leaving at 6:40 pm, then will go on East on Tuesday morning.

Tues., 4/10/56

3:20 p.m.

Locate.

3:25 p.m.

In NY at the Statler Hotel - Pennsylvania 6-4000, Rm 1657. In SAE meeting tomorrow morning from 9-11 am NY time. In TWA executive offices after 2 pm NY time. Leaving NY on TWA flight #63 at 5:30 pm and will arrive back in Kansas City at 9:14 pm.

Sat., 4/14/56

7:10 p.m.

Have HRE call me.

11:20 p.m.

HRE advised, but said he couldn't call him then.

Sun., 4/15/56

2:55 a.m.

Get him in the morning without awakening him. Tell him I won't be able to call him before Monday night. Get a locate for Monday night.

6:50 a.m.

Will make it a point to be home Monday night awaiting the call.

RUMMEL, BOB

HTC ROMAINE

465

Mon., 4/16/56

9:15 p.m. Reminded HRH to call Rummel. HRH said to call him and tell him: HRH is going to be unable to call you until tomorrow morning. Find out where he will be. Ask him also if he has been in touch with Mr. Collings. HRH doesn't want Collings waiting up for HRH's and maybe Rummel will know what Collings is doing. Have Rummel call Collings and let it ring 3 or 4 times if he doesn't answer, we will assume he is in bed. If Rummel gets him on the phone, tell him HRH will call him in the morning.

9:17 p.m. Advised Rummel and he said he would call.

Tues., 4/17/56

5:45 a.m. Reminded HRH to call Rummel. Per Rummel, they talked.

Sat., 4/21/56

1:15 p.m. REMINDER: HRH has to speak to him about Jim Floyd.

Weds., 4/25/56

1:32 p.m. Locate.

At his office until 5:00 pm., home this evening. (They talked)

4:35 p.m. Rummel's secretary (Jackie)

Dictate to her everything that we have received from Zevely in the last few days. Just read the pertinent and important items, if there is any doubt let her talk to Bob and get the doubt straightened out. We only want those figures that have to do with the cost of the airplane. The basic price is \$3,300,000. with certain reductions we are to receive back after Convair sell various increments of the airplane. Some of the figures Convair will mention are cost of tooling, cost of development and how Convair arrived at the prices. All these figures must be transmitted.

Sec: When you are through reading it all to Bob before you type it up and see if there is something else he needs.

Note: There were but two sheets with figures received and these were read to Jackie, Rummel's sec. by Gordon.

Fri., 4/27/56

6:15 p.m. INFO - HRH asked for his number at this time (they talked).

200627

RUMMEL, BOB

HTC ROMAINE 465

Monday 4/30/56

3:00 pm.

A contingent of the Lockheed Co. is arriving there (KC) tomorrow morning for the purpose of explaining or proving that the Convair will not do what the Convair people say it will do. I want you to give this the most thorough & complete study & string. Please do not approach it with any prior conclusion. Go into it with an open mind and as soon as you have reached a conclusion, call into my office. Keep the Lockheed people in Kansas City in case there are any questions I want answered. Be sure & report to my office as soon as you have anything to report. (see below the list of the Lockheed people going to KC)

Ans: Tomorrow is a bad day, but we'll take care of them some way.

Lockheed men going to Kansas City to meet Rummel:

James Boyce
Mr. Danford
Wm. Kennedy
Phillip Coleman
Wm. Statler

these men are leaving at 7:00 am Wed. TWA# 96
arriving in KC at 3:30 Wed. afternoon.
(Per gross)

Wed: 5/2/56

HRH:

Call him in KC early in the morning relative to something HRH discussed with Schwartz this evening.

7:15 p.m.

Call him about 8 a.m. KC time at home or at the office if he has left home and tell him that HRH is going to be able to call during the morning and wonders where you will be. PLEASE do not interrupt or interfere with the work you are doing with the Lockheed people while awaiting HRH's call.

Thur., 5/3/56

3:15 p.m. Gave HRH reminder, as he requested.

5:40 p.m.

Tell HRH things are progressing fairly well here but that Lockheed indicated that they may pull out in a while. I feel the entire team should stay here until we get to the bottom of the question they raised.

Monday, 5/7/56

7:50 pm.

Cancel call of 5/3 Rummel said the call is unimportant at present. They (The Lockheed people) will stay in KC until Wed.

200628

RUMMEL, BOB

HTC ROMAINE

Friday, 5/11/56

465

1:25 pm.

Mr. Gwynn of Pratt & Whitney, wishes to resolve our engine order by June 1. If extraordinary events arise within P&W indicating need for earlier resolution, Gwynn will contact me. If he does not contact me by June 1, he will allow an addotopma; 3 weeks (June 22) in which to resolve this issue. (If Opems is not able to deliver to HRH by late tomorrow afternoon, notify Bob Rummel)

Sun., 5/13/56

5:30 p.m.

Call given to HRH.

Monday, 5/14/56

Put him on the Priority list a week before June 1st., unless Rummel has notif. Kay (Office) of a postponed deadline.

Thurs., 5/17/56

7:30 p.m.

Very much like to talk to HRH.

8:25 p.m.

Above message given to HRH.

8:25 p.m.

Have him go to his hotel room and HRH will call him back at his room.

8:50 p.m.

Rummel located and above message given.

10:00 p.m.

Call him and tell him if it's extremely urgent, I'll call him at midnight. However, I'd rather talk to him tomorrow.

10:10 p.m.

Not extremely urgent - it's about Convair situation. Tomorrow is OK.

Friday 18/56

4:40 pm.

Locate.

Palo Alto number.

5:17 pm.

Remove him from any list you may have him on.

200629

RUMMEL, BOB

LFO ROMAINE

Fri., 5/25/56

465

- 7:30 p.m. Advised HRH of reminder on Priority list.
- 7:50 p.m. Find out the score on the deadline.
- 8:50 p.m. Rummel said the deadline concerned engines, Pratt & Whitney engine order. He has been able to get the deadline advanced from June 1 to June 15 and is still working to get it advanced to August. Said there was no need for HRH to call him over the weekend. Rummel said he would phone Kay on Monday with further particulars. (HRH did not say to call Rummel but Kay unavailable so we had to)

Sat 6/2/56

- 9:20 a.m. Leonard Schwartz told HRH that Lockheed has developed a study which shows conclusively that a program of Boeings 120's and Lockheeds Electras will result far better financially for TWA than Convairs. HRH wants you to individually and collectively make a careful and considered study and analysis of this presentation by Lockheed and be in a position to report your unqualified recommendation to him emphasizing how much better this program is and why. How much difference in savings(money) it represents. What are the values or advantages of this program. Be ready early Tuesday the 5th of June to report to HRH fully and completely. He truly hopes you will make yourselves geographically available to each other to accomplish this and if you want another Lockheed man in KC to give you additional information, please let HRH know.
- (Per BG) A Lockheed man is visiting with Leslie over the weekend and is going to KC to meet with Rummel on Monday. BG is to follow this project up with Leonard Schwartz.

Mon 6/4/56

- 9:20 p.m. Locate.
- 9:23 p.m. At home. (HRH said he would call)

Wed., 6/6/56

- 11:15 am Collings, Leslie and Fullerton and myself have met on the required subject and we will be ready to report at 1:15 p.m. LA time. (Grand 1-4400 until they notify us differently)
- 9:00 p.m. HRH advised of the above call. (HRH told Kay to tell anyone who was waiting up for a call that he wouldn't be able to call until tomorrow. The above group was informed via Vic Leslie by Kay and Kay told HRH that he so advised them)

RUMMEL, BOB

H/C ROMAINE

465

Thurs., 6/7/56

HRH advised of Rummel's call again.

They do not have to get together tonight if they are planning to be together tomorrow (by they HRH means Rummel, Leslie, Collings & Fullerton). I can talk to two of them separately tonight. Leslie & Collings or Leslie & Rummel.

Mr. Leslie will be at my place at 5:45 pm LA time and will wait for HRH's call.

Advised HRH.

Advised HRH again and they talked.

I have a decision re Pratt & Whitney that has to be made by the 15th of June. It involves a lot of money so if you do not hear from Rummel by the 10th to the effect that we have an extension on this date, then say something to me about it. First try to give it to me when I ask for my calls for a couple of days but if I do not ask for them by the 12th, then volunteer it to me. When you volunteer anything to me, wait until I have been up sometime and working for a while before you volunteer it.

Monday, 6/11/56

HRH advised of Pratt & Whitney deadline. (Full message above not read.)

Call him early in the morning and see if he was able to obtain the extension with Pratt & Whitney. Have a report for HRH later in the day Tues.
(Cancel... BG had this information.)

Saturday, 6/30/56

Reach him and find out if he thinks they collided in a thunderstorm or if the thunderhead was sufficiently severe to cause structural failure. If Rummel thinks they collided, were they on instruments or VFR?

See side sheet C/S 6/30/56

Wednesday, 7/11/56

Per BG (1) 1649A Props (2) Info he has from Boeing re future delivery position including the EX plane.

HRH said he wanted to talk to Rummel & Gordon told him Rummel wanted to talk to HE and HE said he would call. (Message not read)

Locate.

Out to dinner until then. Will now be in my bungalow all evening.

They talked, per Rummel

200631

RUMMEL, BOB

HTC Romaine

465

Fri., 7/13/56

3:45 p.m. Tell Bob that Mr. Erle Martin, Hamilton Standard, has a call in for HRH. HRH wishes you would call him and tell him that Mr. Hughes has been terribly upset about this accident. He took such a torture during the 10 days that followed the accident that he simply had to get away from Los Angeles for a while. Just as he was getting ready to leave he called me to see how things were coming along on the propeller situation. I told him the information I had and then he gave me the full recitation of what he wanted done. He is at a place now where it is practically impossible to talk on the telephone. Mr. Rummel should do his utmost to handle this thing so that it isn't necessary for HRH to call. Check with Rummel about Tuesday of next week to see how he came out on this thing. I want to check with Rummel even though he may not call in.

7:06 p.m. Message given to Rummel. Mr. Rummel will do his best to carry out the above instructions.

Sat., 7/28/56

5:45 p.m. HRH advised of Rummel's name on his working list.

Sun., 7/29/56

1:30 p.m. Ask Bob who the top TWA man in Kansas City is that Bob would recommend that HRH talk to in regard to the operation of the latest engines. Someone who is right up-to-date on the operational techniques (not just theory) of engines. HRH is particularly interested in the CB-16, in the Martin, not the one in the Connie.

2:45 p.m. CLARK FISHER - Hedrick 2-4685 - is the top man in our operation and is in Kansas City. However, you might mention to HRH that he is completely absorbed in some engine operating problems of an urgent and immediate operational nature, just in case HRH is thinking of taking him away from his job for any length of time. His assistant (also works for Rummel) and the next man I'd recommend is NORM R. PARMET - Del Mar 3-8736 - but he is enroute to San Diego and will be there this evening around 9 pm.

4:00 p.m. HRH advised of above message.

Fri., 8/3/56

INFO

Wife's mother died and is leaving San Diego for Kansas City tomorrow on TWA #102. Returning to San Diego on Monday, 8/6.

200632

RUMMEL, BOB

Thurs., 8/ 9/56

2:15 p.m. Convair, for the first time now, is beginning to make noises. Innuendos along the lines of perhaps a possible delay in the program.

Fri., 8/17/56

12:10 a.m. Peter Masefield, managing director (Pres.) of the Bristol Airplane Co., Bristol, England, would like to make the Britannia available to ERE for inspection and to fly if ERE is interested. Sunday would be the best day and would be glad to bring the ship into the LA area (ship in San Diego today)
Convair deal has been extended to September 10th. (DWFC: ERE requested at an earlier time an extension of 30 days. We got one extension of 10 days plus this extension, which makes the 30 days) Extension was arranged on Convair's part voluntarily.

11:00 p.m. Masefield says Saturday is preferred; they can have it available to noon Sunday, or return it to LA on Tuesday afternoon (special flight).

Sat., 8/18/56

12:40 p.m. Advised ERE of Rummel's reminder on working list (Pratt & Whitney deadline) and also of Rummel's call of 8/17. ERE said to locate and have available for me re: Britannia.

2:30 p.m. Located Rummel at Disneyland Hotel - KEystone 5-8171, Ext. 460.

Sun., 8/19/56

3:30 p.m. Peter Masefield called to say they are ahead of schedule and could make the plane available early Tuesday for ERE. Must know by Monday morning, however.

7:30 p.m. Advised ERE of Rummel's call and he said to tell Bob to go on to bed or whatever he has planned and that ERE would call him fairly late tonight.

9:00 p.m. Advised Rummel and he said that would be fine.

Monday, 8/20/56

6:40 pm. I am going to sleep now and may not be awake to call these people until it is too late. Tell them it is uncertain whether ERE will be able to call tonight. ERE does not want to interfere with your plans for the evening. If you have not heard from ERE by 9:30 - 10:00 pm. or the time you are ready to go to bed, please go on to bed whenever you are ready. He will call you tomorrow.
Note: Rummel said he would expect a call tomorrow.

RUMMEL, BOB

HTC ROMAINE

465

Mon., 8/27/56

5:35 p.m. HRE again reminded of P&W decision deadline, 8/31.
Tell him I am on my way to the East Coast and you are not going to be able to contact me. I will be completely out of touch with the office until tomorrow night. I will be enroute and stopping in Texas you you'll have no way of reaching me before tomorrow night and conceivably it might be Wednesday morning. The minute I arrive, you will be able to get ahold of me and I will call immediately. (Don't let this P&W thing get past me after the next 1 or 2 days)

6:10 p.m. I'm leaving KC on Flight #103 at 2:55 pm, Tuesday, arriving LA 7:50 pm; I'll call you when we arrive in LA. Pack in San Diego toward midnight.

Tue., 8/28/56

7:50 p.m. Still very anxious for an answer

Thu., 8/30/56

7:30 p.m. HRE reminded again of Pratt & Whitney decision.

Mon., 9/ 3/56

11:45 p.m. BG reminded HRE again of the 9/4 deadline on P&W decision.

Tue., 9/ 4/56

7:45 p.m. Locate

10:25 p.m. At home for rest of evening.

10:40 p.m. HRE advised.

Sun., 9/ 9/56

11:00 p.m. Must talk to HRE at the earliest possible moment.

Mon., 9/10/56

9:40 p.m. Today is the day we're to go over the Convair deal, per terms of Contract.

20063

RUMMEL, BOB

HTC ROMAINE

465

Mon., 8/27/56

5:35 p.m. HRH again reminded of P&W decision deadline, 8/31.
Tell him I am on my way to the East Coast and you are not going to be able to contact me. I will be completely out of touch with the office until tomorrow night. I will be enroute and stopping in Texas you you'll have no way of reaching me before tomorrow night and conceivably it might be Wednesday morning. The minute I arrive, you will be able to get ahold of me and I will call immediately. (Don't let this P&W thing get past me after the next 1 or 2 days)

6:10 p.m. I'm leaving KC on Flight #103 at 2:55 pm, Tuesday, arriving LA 7:50 pm; I'll call you when we arrive in LA. Back in San Diego toward midnight.

Sun., 9/ 9/56

11:00 p.m. Must talk to HRH at the earliest possible moment.

Mon., 9/10/56

11:00 p.m. Today is the day we're to go over the Convair deal, per terms of Contract.

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RUMMEL, BOB

HTC ROMAINE

Sat., 9/15/56

INFO

HRH talked to Rummel about the Pratt & Whitney decision and they decided to take the engines. Rummel's name on HRH's working list was taken off on the basis of this.

Mon., 9/17/56

1:20 p.m. The Convair deal isn't progressing as it should. Suggest you call Zevely or myself. (Rummel said the deadline is tonight at midnight and Convair just might let it go by so that they will have a legal position to sell the 30 planes to someone else - Pan American, perhaps.)

5:00 p.m. Above call can be cancelled, as they are making a fairly favorable counter offer; Zevely, however, still expects a call from HRH.

Tue., 9/18/56

9:35 p.m. Zevely is agreeing to the majority of items we put to him today. He is not agreeing to the item on GE because he says there is no such arrangement between GE and Convair and never has been. He is agreeing to all these items providing HRH agrees to release 3 of our delivery positions to Pan American. He wants 1 in July, 1 in Aug. and 1 in Sept., and we will get 3 additional in October. He wants to be able to offer this to PanAm without reference to the Boeing situation; in other words, Zevely is making this a condition of the deal.

Wed., 9/19/56

8:30 p.m. Above call omitted; Rummel advised that he had talked with HRH.

Thur., 9/20/56

12:01 a.m. I've just talked to Zevely and it's very important I talk to HRH tonight -
7:20 a.m. it involves this whole deal.

7:20 a.m. (Call given to REC to try to get to HRH.)

12:00 noon (Call omitted - they talked, per HRH.)

RUMMEL, BOB

Tue., 10/2/56

1. You should call Woolman re deliveries to Delta.
2. Vickers is no longer holding their delivery dates open for us.
(Call given REC 10/2)

Thurs., 10/4/56

Advised HRH of Rummel's call by Bill Gay.

Mon., 10/22/56

HRH should call him re: Lockheed per BG.

Tuesday, 10/23/56

HRH advised of above call.

Friday, 26, 1956

Unfortunately HRH is not going to be able to call you until tomorrow afternoon or evening. HRH wanted you to know that he is not going to call tonight so that you will feel free to go to sleep whenever you desire. Get his complete itinerary for the afternoon and evening.

At home or will call.

Put on REMINDER LIST for Saturday afternoon or evening.

Sun., 10/28/56

Locate for this afternoon.

Home all afternoon or will call.

Ask HRH to call any time tonight, no matter how late; I'll leave the phones up.

RUMMEL, ROBERT

HIC ROMAINE

1956
Monday, 29/ October, 1956

8:30 am.

Still in talking to Mr. Hughes. Will be in office today until 4:00 p.m. and then leaving on United's 358 for NY where I'll be staying at the Waldorf.

Fri., 11/2/56

12:40 pm (RED) HRE not aware of the urgency of this. Please advise him.

Thur., 11/8/56

10:00 pm

HRE advised by BG to call Rummel & urgency of Boeing situation.

Saturday, 11/10/56

INFO

At 5:20 p.m. HRE asked if we had a locate on Rummel. Advised he was in KC last heard from him, but that we hadn't heard from him today.

Sun., 11/11/56

5:30 p.m.

Rummel advised he had talked to HRE; his calls of 10/2 to 10/29 therefore omitted. (Rummel stated HRE was to call him back again today.)

Thursday, 11/15/56

INFO

Rummel leaving Los Angeles on TWA #102 for KC. Leaving Los Angeles at 11:45 p.m. arriving at Kansas City at 7:30 am.

Tue., 12/11/56

8:10 p.m.

Back in KC. Want to talk to HRE re Pratt & Whitney.

Wed., 12/12/56

4:50 p.m.

Important.

RUMMEL, ROBERT

Monday, 29/ October, 1956

Still interested in talking to Mr. Hughes. Will be in office today until 4:00 pm. and am then leaving on United's 353 for NY where I'll be staying at the Waldorf.

Saturday, 11/10/56

At 5:20 p.m. HRE asked if we had a locate on Rummel. Advised he was in KC last we heard from him, but that we hadn't heard from him today.

Sun., 11/11/56

Rummel advised he had talked to HRE; his calls of 10/2 to 10/29 therefore omitted. (Rummel stated HRE was to call him back again today.)

Thursday, 11/15/56

Rummel leaving Los Angeles on TWA #102 for KC. Leaving Los Angeles at 11:45 pm., arriving at Kansas City at 7:30 am.

Tue., 12/11/56

Back in KC. Want to talk to HRE re Pratt & Whitney.

Wed., 12/12/56

Important.

200637

Rummel, Bob

Wednesday, 12/19/56

6:10 p.m. Locate. At home.

6:20 p.m. HRE advised.

I had trouble getting through to him. Call his home and see if he's there now. (While Rummel was on line, until 10:15 PM, HRE carried on discussion with him re Rich of Boeing 120 deliveries, how many we should buy, delivery dates and position comparison with American and Pan-American delivery positions, certification data etc.) All right, many thanks, and tell him I'll call him tomorrow night.

Thu., 12/20/56

INFO

Bob Rummel has had Roark & Carroll out at BEE working on a Lockheed project for HRE. Rummel says Carroll is returning. Roark will be at Lockheed this afternoon after 1 pm at Bob Peedy's office, in case we need to locate him.

Fri., 12/21/56

1:30 p.m. Locate where HRE can call.

2:19 p.m. Out shopping, word left at his residence to call us when he returns.

2:35 p.m. HRE doesn't have to talk to you today but would like to know where he can reach you over the weekend. He has to be at a phone where he has an amplifier so he can hear better. Please do not talk to Allen or anyone from Boeing until HRE speaks to you. Do not refuse the call in a way that will offend them but if you have some way to monitor your calls that would be best.

2:40 p.m. I just won't answer the phone and have the OPr. leave word for me to call back.

Wednesday, 1/2/57

8:00 p.m. According to your instructions I have not talked to anyone at Boeing. However Boeing has been trying to reach me regarding their new model jet transport. A release on this plane will be made in a few days.

1

Thursday, 1/3/57

1:20 a.m. Call him at the PHH at 8:30 am and find out where he is going to be all afternoon that HRE can call him. Tell him HRE promised Mr. Allen that Mr. Rummel would be in Seattle today but that HRE intends to handle the matter by telephone instead. suggests that you not talk to them at Boeing until he talks to you and brings up to date.

200638

RUMMEL, BOB

HTC ROMAINE

Sat., 1/5/57

7:45 pm Find out where he will be 2-3 hours from now so I can call him.

10:45 p.m. At home for the night.

Wed., 1/9/57

10:45 p.m. HRH given reminder to call Rummel. HRH said he would not be able to call him until tomorrow, but he didn't want him waiting up for a call tonight.

Thurs., 1/10/57

INFO Bob Rummel in NYC until Sunday evening 1/13 - see Kardex

Wed., 1/16/57

8:45 p.m. Some time ago HRH asked that I refrain from contacting the Boeing officials. Does this still hold? Boeing people will be down here early next week and I should be able to talk to these people.

Thurs., 1/17/57

10 p.m. Advised HRH of Rummel's call and HRH said to keep the instructions in effect. Advised Rummel and his call cancelled on that basis.

Mon., 2/4/57

10 a.m. Get ahold of him at home in Kansas City at 8 am KC time (6 am LA time) and give him this message: "Please roll out the red carpet for Lambert of Vickers and show him every courtesy and consideration. I talked with Edwards this morning in London. These people have been more than decent to us and I want to reciprocate by treating Lambert like a king while he is in KC. Give him the best of everything. Also please understand fully the Vanguard airplane with the thought of deliveries totaling 12 by the end of June, 1951. You can inform Lambert that Mr. Edwards has quoted these to me on the basis of increased production. I believe this quote is, however, extremely confidential and I urge that you not disclose to anyone else in or out of TWA that we are considering the Vanguard airplane at all - or that these deliveries have been quoted."

11 a.m. Message delivered to Rummel personally.

• 200639

RUMMEL, BOB

Mon., 2/4/57

5:45 a.m.

I have a situation relative to the Pratt & Whitney situation that I must speak to you about.

Mon., 2/25/57

INFO

HRH reminder to contact Allen at Boeing 12/20 omitted per BG-NH. This matter has been discussed.

Tues., 2/26/57

8:45 p.m.

Need to have clearance to talk to top Boeing people--most desirable that I go to Seattle Wed. night 2/27.

Thurs., 2/28/57

6:20 p.m.

Peter Masefield, Managing Director, Bristol Airplane Company, England, called and said he would be pleased to meet with HRH and show him the Bristol Britannia (which is now in San Francisco). He would be glad to bring the plane to HRH's airport if that is convenient for HRH. It could be available Tuesday or Wednesday (3/5 and 3/6) in LA or anytime in SF. It is presently undergoing engine change in SF. He plans to fly non-stop from New York to Rome on Thursday (3/7). He is at the Mark Hopkins Hotel now. BOAC have several of these planes in service from London to Johannesburg. Inaugurating London-NY service July 1. London-Far East in about a month.

Mon., 3/4/57

7:00 a.m.

If HRH is unable to contact me re: Vivkers, I think I'd better call them tomorrow; otherwise it may be embarrassing.

Tues., 3/5/57

6:15 a.m.

I must call Peter Masefield today. I'll tell him HRH has been "out of touch."

RUMMEL, BOB

Tue., 3/12/57

465

7:15 a.m.

Sir George Edwards quite disturbed that HRH has not called. Is leaving country Wednesday evening (3/12). Sir George can be reached at the Gotham Hotel in NY at Circle 7-3515.

Sat., 3/16/57

INFO

HRH talked to Sir George Edwards this morning. Rummel's calls above cancelled on that basis.

Tue., 4/16/57

INFO

Leaving Chicago at 3:00 pm Chi. time for Seattle on NW #107. ETA Seattle 8:40 pm/ Staying at Olympic Hotel. (See folder for itinerary Wed.)

Thurs., 5/9/57

2:35 p.m.

See if I can talk to him now.

2:36 p.m.

At home for 1/2 hour, then out of touch for a half hour. Back home as of 5:30 p.m. (KC time) and HRH can call then. (Edicott 2-4838)

2:36 p.m.

HRH advised.

Fri., 5/10/57

2:01 a.m.

Capital Airlines is unable to accept the last 15 Vicomts they had on order and they have extended the first opportunity to purchase if we want them. The price is 400,000 pounds. (per BG)

2:15 a.m.

Mr. Hughes is going to want to reach you before too long and would like to know where you are going to be. If you are going to lunch can you tell us what time you will be back. He would like you to please call Mr. Clarkson in NY (of the Vickers Co.) and find out where he is going to be right through the week end, starting immediately, so that if we want to reach him we can.

Mr. Hughes has promised Sir George Edwards that he would give him an answer by next Wednesday and with that in mind Mr. Hughes asks that you put through a request that you obtain information as to where Mr. Burgess, Cocke or anyone involved in this decision would be through

2006:1

RUMMEL, BOB

Fri., 5/10/57 (Continued)

this week end so that we will know where to contact them. ERH doesn't want them to stay home but would like very much to be able to reach them by phone if necessary over this week end.

11:07 a.m. Rummel will have this info re: Clarkoor, Burgess, Cooke and Leslie will check in with NY O.R. of TWA as to their location. Rummel will be at home today and week end except for short periods of unavailability.

(Cancel 12:01 a.m. call per Rummel)

Sun., 5/12/57

9:00 a.m. I would like to talk with you sometime after the next two hours. If you have something planned, please go ahead as I don't want to interfere with those plans but I would appreciate it if you could let me know when you will be back or where I might reach you so that I may call you.

11:20 a.m. I've talked to him several times, but plan on being home.

2:35 p.m. Advised ERH of Rummel's answer above.

7:10 p.m. Due to unforeseen circumstances I will not be able to call tonight but will call tomorrow. I am terribly sorry if I have inconvenienced you and I hope that you will forgive me.

7:45 p.m. No trouble at all. Glad ERH took time off to call. (See Kardex)

Mon. 5/13/57

2:30 p.m. Locate so that I can talk to him in about 1½ hours from now.

2:55 p.m. Office until 4:00 pm then home by 4:30 pm for the evening, LA time.

5:30 p.m. ERH advised.

8:30 p.m. Should talk to you before you talk to Sir George Edwards again. (Out from 9:30 to 10:30 tonight, then home.)

10:45 p.m. Put him on the list for tomorrow but do not call him either tonight or tomorrow unless I tell you.

RUMMEL, BOB

Tues., 5/14/57

1:00 a.m. ERH advised.

2:00 a.m. ERH asked for Rummel's office number.

Wed. 5/15/57

4:50 p.m. Find out where he is going to be this evening.

5:05 p.m. Will be at home all evening - Enfield 2-4838.

Tues. 5/21/57

3:20 p.m. Find out where I can reach him this evening. (Staying at Lee House District 7-4800)

Wed., 5/22/57

6:50 a.m. Leaving Wash. airport about 12:30 p.m. EDT and arrive in St. Louis around 4:30 p.m. Traveling on the special "Jetstream" flight. Attending the cocktail party and dinner for Carter Burgess. Will call Opns. when in St. Louis. Don't know where party being held. Tentatively plans to leave St. Louis around midnight for Dallas then from Dallas to KC in the jet "Caravelle". (This is subject to ERH's request for Rummel to be available. If Rummel takes this jet to KC from Dallas he won't be available until around noon Thurs.)

27 a.m. Find out where they are and find out the score on the plane's arrival in St. Louis.

ON plane and ETA St. Louis is 3:30 St. Louis time.

45 a.m. ERH advised.

55 a.m. Do not prevent him from participating in the festivities but be sure we know how to reach each of them tonight for ERH to call, particularly Rummel and Sessel.

25 p.m. I'm at the Racquet Club, St. Louis, Forest 1-2100 - Room L or M, which is for everyone here. Will be in the Banquet Room. Am leaving for Kansas City at 12:30 a.m., Daylite time (10:30 pm LA time) and will arrive at 12:42 a.m. Central standard time, 1:42 LA time. Lvg via TWA 159

25 p.m. Does the same apply to Mr. Rummel? (Same as message to Sessel) No, I want to talk to him. You have a fix on him? Positive.

200613

RUMMEL, BOE

HTC ROMAINE

Fri., 5/24/57

5:55 p.m. Locate.

6:16 p.m. Will be at the Terrace Grill - Muelebach Hotel - Grand 1-1400 for dinner and back home after. Don't know when we will return as it's my daughter's birth probably about 2 hours.

10:40 p.m. HREH advised.

Mon., 5/27/57

3:20 p.m. Locate so that I can talk to him privately.

3:30 p.m. Office until 5:30 pm (KC time) and 30 min. to get home. Home until 7 pm, out from 7:00 - 7:30 pm (half hour). Home from 7:30 - 9:45 pm and then out for 45 minutes again.

Tue., 5/28/57

12:20 a.m. Caravelle leaving at 8:30 am, LA time instead of noon. Very important that I call either myself or Gen. Tassevier (Grand 1-1400 Rm 1738) re landing instructions prior to take-off time. They may cancel LA stop if any delay is evidenced.

12:47 a.m. Requested to give Caravelle info to HREH. He said, Why give it to me now, I can do anything about it. My answer was that we are working against a deadline in the situation. HREH said, he would call in later about it.

1257 a.m. HREH given complete message.

7:25 a.m. (Per JP) Call Rummel in KC and find out from him where HREH can call him up until the last minute to give landing instructions.

7:35 a.m. They have moved their departure time up until 9 am. I will try to hold them until the call is received. I will be here at the office - Grand 1-4400.

7:55 a.m. HREH advised.

8:45 a.m. Call Rummel when he gets back to his office and find out if these people will stop for fuel, where, eta for fuel; if not stopping for fuel, what is the ETA at the plant airport.

10:00 a.m. Left at 9:55 am (LA time) and expect to be flying 3½ hours, ETA in LA around 1:30 pm.

200644

RUMMEL, BOB

HTC ROMAINE

465.

Wed., 5/29/57

Goffref, Gauthier, and Geramaud arriving to meet the General on TWA 3, ETA 6:27 pm, 5/30, Thurs. These 3 people have had special handling across Atlantic and the US. No arrangements made for arrival at LAX as we do not know your desires. If we are not advised we will assume that your Hollywood office will handle or TWA - LA will handle.

Rea Hopper advised and will handle.

Thur., 5/30/57

Have you heard from him? Yes, dr. Last evening. I meant this morning? Negative.

He asked that I get in touch with Gordon MacGregor (Pres. of Trans American) I have tried to get him and he is tied up where he cannot be reached. I have made an appointment call for 1:30 pm, KC time, which is the earliest he will be available. I will talk to him at 1:30 and immediately call the office and advise. (Rummel has changed his itinerary from yesterday. He will return from the cemetery at 11 am, KC time.)

HRH advised.

When Rummel calls into you today tell him I may be unavailable to call for a while but that I would like to be constantly apprised of his whereabouts in the afternoon so that I may call him. I hope that Rummel has the necessary information so that we can reach MacGregor this evening if we need to. If you do not perhaps you can get it from his secretary without bothering MacGregor. If Rummel conceives I want to talk to MacGregor, then it would be desirable to reach him. If I am to talk to another party, be sure we can reach him. If I am to talk to another party, be sure we can reach him.

Mr. Gordon McGregor cannot make an airplane available in the US because of TCA's second schedule increase being made Saturday. He regrets he cannot release an airplane for 48 hours use in the U.S. because of serious curtailment of increasing and already publicized schedules. He would be happy for Mr. Hughes to come to Montreal to fly a Viscount for 2 to 4 hours. He would make top pilot or any other personnel available to Mr. Hughes to discuss Viscount operations or other aspects. Mr. McGregor suggests that either he or Mr. Herb Seagram (Montreal TCA) be contacted regarding detail arrangements. Mr. McGregor is glad to cooperate and insists that this be done at TCA's full expense not Mr. Hughes'.

Rummel will be at home at 3:30 pm LA time and will leave word if he leaves. McGregor will probably be unavailable tomorrow. Mr. Herb Seagram's office number is University 6-5671 in Montreal.

Advised HRH and he said he would call Rummel. Rummel's calls omitted on that basis.

200645

...H, BOB

HTC ROMAINE
43

Tues., 6/4/57

10:00 p.m. Call him back and tell him that I won't be calling him this evening (HRH previously thought he would talk to Rummel if he couldn't reach Leslie) and I'm sorry that I had to bother him on that Leslie locate. (Find out where I can reach him in case I want to call him.

10:25 p.m. Leaving KC to NY on Flt 102 arriving NY at 2:15 p.m. At Idlewild 45 minutes before reached through the station manager) then to La Guardia. Leaving La Guardia at 4:00 PM on Wright Co. airplane and flown to a Lodge in the Pennsylvania Mountains. Will call and give the number of the lodge. (See Locate Book)

Wed., 6/5/57

12:35 a.m. Do not call him today, tomorrow or anytime until I tell you.
INST

Tues., 6/11/57

INFO

9:10 a.m. His father (Howard Rummel) had a heart attack and Bob has gone to Mt. Carroll, Illinois (2874) this morning. His office will know the length of his stay.

Thurs., 6/13/57

9:02 a.m. We're having trouble with the 1649A. I would like to appraise HRH of this immediately. Am at my office now.

Sat., 6/15/57

11:00 a.m. At office, Definitely want to talk to HRH.

1:15 p.m. It will be later this evening before HRH can call you as we are out of touch with him. Where will you be?

2:00 p.m. I will be at home, Endicott 2-4838 all evening, to receive HRH's call.

INFO HRH tried to reach Rummel this afternoon, but due to telephone trouble couldn't reach him.

7:10 p.m. I'm at home (Endicott 2-4838) and would like to talk to HRH. Very important. Advised Ben Diccio 9:10 p.m.

200646

TWA Ex. 22, page 27 of 64
(Rummel Call Sheets)

RUMMEL, BOB

HTC ROMAINE

Sun., 6/16/57

461

7:50 a.m. ERH did not call last night. Very important that he does. Have BG call also.
6:00 p.m. Very important to reach ERH.
6:15 p.m. Given BG.

Tues. 6/18/57

INFO

Previous calls omitted - they talked per BG.

Thurs., 6/20/57

12:35 p.m. Has urgent message for ERH before he flies the plane. (At Windsor Locks, Conn. - National 3-1621, Ext. 557 - until 4 PM EST, then returning to New York; will be at TWA office, at STA. 521 or thru Carter Burgess' phone, most of evening, except for dinner. Staying at Lexington Hotel.)
(Given to CW at 12:45 PM.)

Fri., 6/21/57

INFO

6-20 call omitted - Per BG.

Sun., 6/23/57

3:35 p.m. Has the info ERH wanted. Home all day. (Endicott 2-4838)
4:45 p.m. Quite important regarding itinerary and several other things. I'd like to talk either to ERH or BG.
BG advised 9:55 p.m. LA time. Can't call now, will call first thing in the morning.

Tues., 6/25/57

10:00 a.m. Locate. (As of 10:10 AM, over SD in AAL flight - landing delayed due to fog.)
11:00 a.m. At Town & Country in SD. BG asked him to wait there for 1/2 hour and try to have ERH call him. 200647
1:15 p.m. ERH hasn't called; leaving T&C for lunch at Mission Valley Inn - CY 8-8231, then at Convair - Commercial Mock-up Room.

RUMMEL, BOB

Thurs., 6/26/57

Info. ERH talked to Rummel this morning, per Rummel.

4:08 p.m. Doesn't as yet have all the information ERH requested. Will have the rest Friday a.m. Leaving LAX at 6 p.m. for Kansas City. ETA KC 2:00 a.m. via TWA Flight #78.

Mon., 7/1/57

7:00 p.m. Tell him that ERH will not be able to call him tonight, but that he will call him tomorrow. Find out where he will be. (Per BG)

Ans: Leaving 7-5 a.m., driving from Mt. Carroll to K.C. (445 miles) - should arrive about 4 or 5 p.m.

INFO ERH talked to Rummel, (Per B. Rummel)

Tue., 7/23/57

6:55 p.m. Please do not let anyone go near the resort plane regardless.

8:10 p.m. OK, I'll call Bill re: starting the engines.

Sun., 8/11/57

2:40 p.m. Per BG: Locate for a call later today or tonight.

2:50 p.m. Will be at Estes Park, Colo., Stanley Hotel, Phone 23, Room C-6 or C-7.

4:50 p.m. BG Advised.

Mon., 8/12/57

11:05 a.m. Have Interim Report for ERH on two projects I am working on.

RUMMEL, BOB

HTC ROMAINE

Wed., 8/14/57

- 4:45 p.m. Locate. Still at Estes Park, Colorado. OK.
- 7:02 p.m. Per BO: Call him and see if he can receive a call now. At the Hotel and can talk now, but must take Vickers people to dinner shortly.
- INFO They talked per Rummel.

Sun., 8/18/57

- 9:25 p.m. (Per BO) HRR will call later tonight when circuits are better. Do not wait up for call. Ans: I am lvg KC on TWA 478 tonite 12:30 a.m., arriving NYC 7:25 a.m. and will be at the office there on HRR business. Staying at Lexington Hotel. (BO advised thru G. Bench 10:45 pm)

Wed., 8/21/57

- 4:10 p.m. Like to give report on situation. (BO advised)

Thurs., 8/22/57

- 3:10 p.m. Want to talk.

Sun., 8/25/57

- 9:38 p.m. I haven't talked to HRR yet. I have been standing by and will be in KC through Thursday, 8/29.

Thurs., 8/29/57

- 6:30 a.m. I would like to talk to HRR sometime today. He will know what it is. Very important. (Given BO at 2:00 pm)

RUMMEL, BOB

Sun., 9/1/57

- 12:01 a.m. Per Ric: Locate. HRH wants to call you Sunday night.
- 6:00 p.m. Advised. At Mt. Carroll, Ill., c/o Howard Rummel, phone 2874 until Tuesday eve.
- 8:30 p.m. RH advised for referral to BG.

Tue., 9/3/57

- 3:30 p.m. (Per Rich Anderson) Locate. How late will you be up? HRH will not call later than that since he does not want to work the slightest hardship on you at this time.
- 5:15 p.m. Will be at Hotel this evening. However, the only phone is at the desk. Will call later if the problem can be solved.

Wed., 9/4/57

- 12:30 a.m. HRH advised. Took numbers in Mt. Carroll of the hotel and the father's home. Do not call Rummel; I will call him when necessary.

Sun., 9/8/57

- 4:20 p.m. Would like to talk today. Can be reached at Mt. Carroll 5414 until 9:30 or 10:00 p.m., then will be back at Mt. Carroll 7681. (Given to RA).
- 5:15 p.m. (Per Rich A.) Locate. Will be at Mt. Carroll 5414 until 9:30 or 10:00 pm CST & then will be at 7681. I won't retire until I get the call. I'm very anxious to talk.

Tue., 9/17/57

- INFO: Omit all previous calls. They talked, per Rummel.

Fri., 9/20/57

- 5:30 a.m. (Per Operator) Where can I reach him? Seattle, Mutual 7700 X825.

200650

RUMMEL, BOB

HTC ROMAN

Tue., 9/24/57

1:00 p.m. Like to talk on the Bristol situation.

465

Wed., 9/25/57

7:15 a.m. I did not talk to HRH. The deadline is Friday on one of the deals. (Given BG at 2:05 p.m.)

Sun., 10/6/57

10:40 a.m. Rummel's calls of 9/24 & 9/25 cancelled, per Rummel this date. Rummel said he would be in KC this week. Rummel talked to HRH and he was to have called them back this evening, but the matter is pretty well taken care of as far as urgency is concerned.

Wed., 10/30/57

1:55 a.m. I would like to talk with HRH, preferably before he talks to Sir Geo. Edwards.

Thur., 11/7/57

6:10 p.m. Still waiting to talk to HRH.

Tues., 11/12/57

2:05 p.m. I would like to be able to reach him this afternoon. Ask him to please have everything at his fingertips on the Tickers deal.
Ans: I'll be at the office until 5 pm unless I call you to the contrary and will be home by 5:40 pm. I'll take everything with me.

Sat., 11/15/57

5:25 p.m. Locate.

200651

5:35 p.m. At Warner's house Edicott 2-014. He can talk but he does not have his papers with him. It will take about 30 minutes to go home and get them. He can talk privately at this number. He does not need his papers and I will call him at the number.

RUMMEL, BOB

HTC ROMAINE

Sat., 11/16/57

- 8:52 p.m. Call him and tell him I'm not going to disturb him this evening, that I will call tomorrow instead. It will probably be evening (his time) when I call him.
- 8:55 p.m. Thank you. If you do not hear from me I will be at home except I will be gone about 1-1½ hours to church between 10:30 am and 12:00 noon.

Sun., 11/17/57

- 9:30 a.m. Call him and tell him that I'm not going to call him back until this evening. If he has any plans for the day, go ahead as I don't want to interfere with them and I'll call him this evening. (Rummel's call of 11/7 cancelled - they talk)
- 9:35 a.m. Thanks very much. I plan on being in and out during the day but not for very long periods of time. I will be home this evening.
- 1:15 p.m. Advised HRE of Rummel's reply.

Thu., 11/21/57

- 7:30 a.m. Where is he now? Seattle, Wash.; Olympic Hotel.
- 8:12 a.m. He's not in Seattle, but is flying to somewhere. Call his sec'y and get his locate. Don't intercept him, but find out where he can talk comfortably later.
- 8:15 a.m. AIS: Lv Seattle UAL 946 at 8:20 a.m., arr. Denver 2:25 p.m., lv Denver Continental 36 at 3:20 p.m., arr KC 6:20 p.m., home (EMMott 2-4833)
- 11:40 p.m. Do we have any locate on Rummel? Yes sir, he should be in Kansas City, at home. He arrived there at 6:20 p.m. this evening and was home around 7:00 p.m. Well, I won't call him tonight.

Sat., 11/23/57

- REMEMBER HRE has to call
- 12:05 p.m. Advised HRE of his reminder to call.

Sun., 11/24/57

- 5:15 p.m. Locate.
- 5:20 p.m. Will be at home all evening.
- 5:15 p.m. Advised HRE and they talked.

200652

RUMMEL, BOB

Mon., 11/25/57

- 9:30 p.m. Harry West is arriving on 744-5 tomorrow (Tuesday). I am meeting Bill Allen in Seattle on Tues, 12/3; preferred not to meet sooner because he has relatives in town in Seattle over Thanksgiving.
- 10:20 p.m. Advised HRE of Rummel's 9:30 p.m. call.

Sun., 12/1/57

- 11:55 a.m. Locate. At home this afternoon - Enfield 2-1838. (Was going to LA tomorrow but have a fever so will cancel. Still planning on going to Seattle on Tuesday and may come to L.A. Tuesday evening. Advised HRE.

Mon., 12/2/57

- 8:30 p.m. I have the list HRE wanted and have given it to Bartles.

Tue., 12/3/57

- 12:15 p.m. Available all day for HRE. (Opr's has above list Rummel mentions)

Wed., 12/4/57

- INFO Omit calls of 12/2 and 12/3, they talked (Per Rummel).

Sat., 12/7/57

- 6:20 p.m. Locate. Ask him if he can take a call.
- 6:25 p.m. Will be at home all evening. Will be going to bed about midnight.
- 8:12 p.m. HRE advised.

Thur., 12/12/57

- 12:50 p.m. Locate and have him get to a phone where he can talk privately.

200653

RUMMEL, BOB

HTC ROMAINE

Sat., 11/16/57

- 8:52 p.m. Call him and tell him I'm not going to disturb him this evening, that I will call tomorrow instead. It will probably be evening (his time) when I call him.
- 8:55 p.m. Thank you. If you do not hear from me I will be at home except I will be gone about 1-1½ hours to church between 10:30 am and 12:00 noon.

Sun., 11/17/57

- 9:30 a.m. Call him and tell him that I'm not going to call him back until this evening. If he has any plans for the day, go ahead as I don't want to interfere with them and I'll call him this evening. (Rummel's call of 11/7 cancelled - they talk)
- 9:35 a.m. Thanks very much. I plan on being in and out during the day but not for very long periods of time. I will be home this evening.
- 1:15 p.m. Advised HRC of Rummel's reply.

Thu., 11/21/57

- 7:30 a.m. Where is he now? Seattle, Wash.; Olympic Hotel.
- 8:12 a.m. He's not in Seattle, but is flying to somewhere. Call his sec'y and get his locate. Don't intercept him, but find out where he can talk comfortably later.
- 8:15 a.m. AIS: Lv Seattle UAL 945 at 8:20 a.m., arr. Denver 2:25 p.m., lv Denver Continental 36 at 3:20 p.m., arr KC 6:20 p.m., home (Ellicott 2-4833)
- 11:40 p.m. Do we have any locate on Rummel? Yes sir, he should be in Kansas City, at home. He arrived there at 6:20 p.m. this evening and was home around 7:00 pm. Well, I won't call him tonight.

Sat., 11/23/57

- REMEMBER HRC has to call
- 12:05 p.m. Advised HRC of his reminder to call.

Sun., 11/24/57

- 5:15 p.m. Locate.
- 5:20 p.m. Will be at home all evening.
- 5:45 p.m. Advised HRC and they talked.

200652

RUMMEL, BOB

Mon., 11/25/57

- 9:30 p.m. Harry West is arriving on TWA 5 tomorrow (Tuesday). I am meeting Bill Allen in Seattle on Tues, 12/3; preferred not to meet sooner because he has relatives in town in Seattle over Thanksgiving.
- 10:20 p.m. Advised HRE of Rummel's 9:30 p.m. call.

Sun., 12/ 1/57

- 11:55 a.m. Locate. At home this afternoon - Elliott 2-1838. (Was going to LA tomorrow but have a fever so will cancel. Still planning on going to Seattle on Tuesday and may come to L.A. Tuesday evening. Advised EPH.

Mon., 12/ 2/57

- 8:30 p.m. I have the list HRE wanted and have given it to Bartles.

Tue., 12/ 3/57

- 12:15 p.m. Available all day for HRE. (Ops has above list Rummel mentions)

Wed., 12/ 4/57

- INFO Omit calls of 12/2 and 12/3, they talked (Per Rummel).

Sat., 12/ 7/57

- 6:20 p.m. Locate. Ask him if he can take a call.
- 6:25 p.m. Will be at home all evening. Will be going to bed about midnight.
- 8:12 p.m. HRE advised.

Thur., 12/12/57

- 12:50 p.m. Locate and have him get to a phone where he can talk privately.

200653

RUMMEL, BOB

HTC ROMAINE

Thur., 12/12/57 (Continued)

1:20 p.m. At Olive 8057, Renton, Washington.

1:45 p.m. Advised Mr. Hughes of locate.

Wed., 12/18/57

7:45 p.m. West, Harry (Per Rummel, Bob) Ready to talk to HRH before we can proceed (HRH can talk to either Rummel or West).

Mon., 1/13/58

5:35 p.m. (Per BG) Re development at Lockheed (re planes). (See locate book).

Sun., 1/19/58

INFO (Per Rummel) Omit call of 12/18/57 and 1/13/58. Have talked with HRH.

Thu., 2/13/58

11:30 a.m. Would like to talk before 4 pm today, EST, if possible. I'm with Earl Martin of Hamilton Standard - National 3-1621, Ext. 319, Windsor Locks, Conn.

Sat., 2/22/58

12:45 p.m. I have discussed the LAI and the California Eastern Airlines at length with Cocks and Ray Dunn. With respect to CEA, the completion dates prior to this discussion were as follows: Serial 1255 - March 2; Serial 1253 - March 9; Serial 1254 - March 16. These dates have been moved forward as follows: Serial 1255 - Feb. 27; Serial 1253 - March 6; Serial 1254 - March 8. These are now ready dates ready for service.

With respect to the LAI aircraft, it now appears that TWA may be able to have minimum modifications in its Kansas City overhaul shops. Whether or not this is feasible depends upon final resolution of minimum modification lists. To resolve this phase, as well as the workload that must be accomplished prior to ferrying the aircraft, the following group has been established: John Roche

200654

RUMMEL, BOB

HTC ROMAINE

Sat., 2/22/58 (Continued)

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Chairman; Peschote - Inspector; H. Reynard - Provisioning; F. Austin - Flight Operations; David Midgley - Traffic; Earl Cannady - Engineering (Rummel's representative).

Unless advised otherwise, Messers Roche, Peschote, Reynard and Cannady will arrive in LA tomorrow morning to permit expeditious handling. Messers Austin and Midgley are already in LA. To permit resolutions minimum modification list, at least one of the airplanes should be made available to the group for Sunday inspection. Durr is planning to prepare the airplane for ferry work with TWA LAX personnel supplemented, if necessary, with Kansas City base personnel. If the airplanes cannot be made immediately available, part of the effectiveness of of the group will be lost. I hope that the making of the airplanes available will meet HRR's plans and that HRR will agree. If for some reason HRR thinks that this handling is not satisfactory I would appreciate knowing quickly. I would prefer not to call the group off since all are thoroughly cognizant of Mr. Hughes request that the whole matter be expedited. In view of the strong likelihood that minimum modifications can be accomplished at TWA Kansas City overhaul base, I am not providing information concerning alternative sources and completion dates as requested by Mr. Hughes. Unless advised otherwise I will assume this is satisfactory.

7:05 p.m. (Per BG) Do not send those men out. HRR will talk to you later tonight. I'll do my best to intercept them and will call you right back if I am unable to intercept them. I'm leaving now for Majestic Steak House (Valentine 1-9293) until 8:30 or 9:00 p.m., then back home.

8:55 p.m. HRR advised. Tell him HRR tried to reach him but was unable to. Therefore he will call tomorrow. Please don't disrupt any plans for tomorrow, HRR will call until he gets him. (Per BG)

Sun., 3/2/58

1:00 p.m. Urgent I talk to HRE.

5:20 p.m. Advised HRR.

Tues., 3/4/58

11:20 a.m. Locate.

11:30 a.m. (Per Sec.) In a meeting but can be called out to his office quickly.

Mon., 3/17/58

200655

9:30 a.m. (Per J. Holmes) HRR will have some information for you regarding the 1649 later today and he will call you around 5-6pm KC time.

9 a.m. At office till 1:15pm. At GR 1640 Rm 304 from 1:30 to 4pm. Then I'll leave word.

RUMMEL, BOE

Mon., 3/17/58

1:05 p.m. Advised ERE of Rummel's locate.

Wed., 3/18/58

5:00 p.m. (Per BG) Re exterior paint on Boeings.

Thur., 3/20/58

12:40 p.m. Would like planes #2 and #3 delivered as soon as possible.

6:15 p.m. ERE advised.

6:15 p.m. ERE will get one of the planes over to you over the weekend between now and Monday morning. Unless you are going to do substantial amount of work on the planes over the weekend, he would prefer to get it to you Monday morning. If you are going to have your people on the payroll and are going to do some work on the plane, he will try to get it to you the early part of the weekend. Regarding the 3rd plane, he will not be able to get it to you before the latter part of next week at the earliest and will talk with you regarding the date on that one. He hopes you will please not call Jack Price, Bruce Burke, or anyone at the Burbank hangar or anyone at Culver City concerning these planes. Anything you might need or any item you might have to use urgently, even if you think those things are just right across the field, please do not contact the above people. Just get the request to my office and I will tell you what to do.

7:20 p.m. Ar: We won't plan on the planes before Monday morning unless Ellinger or I call you.

Sat., 3/29/58

12:01 p.m. We have received an extension from Boeing for the external paint job until Monday morning. (Given BG)

INFO Omit, they talked.

7:00 p.m. Get ahold of him as soon as he returns this evening and tell him that I want him to be very careful not to say anything to anyone, by that I mean anyone connected with Boeing or anyone connected with our company or anyone else, concerning our contractual relationship with Boeing or any of the things that were said to us at the time that we entered into our contract. In other words, tell him that we (NICO) are going to write a letter to Boeing charging all manner of collusion, misrepresentation, etc. and I do not want any possibility that you or any of your people might say anything to Boeing or to anyone in TWA or to anyone else outside that might be contrary to the charges that we are making in this letter or that might soften them. Just to give you an example, we are going to charge in this

RUMMEL, BOB

Sat., 3/29/58

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(Continued)

letter that Boeing made the statement at the time we signed for our 120's, that they were not giving, and had not given a sequence of delivery to anyone else. I want you to know that I am relying on you to back me up in this statement. I do not want any possibility that somebody might get ahold of you or anyone else connected with you or in your department and extract anything, for example a statement that you or one of your people doesn't remember any such representation made or at least wasn't made to him. I am not asking you, at this time, for any testimony but I do not want any possibility that anything will be said that might be contrary to the testimony that I hope you are going to give if we get into any sort of argument. I am just afraid that somebody will try to discuss the matter with you or your people and try to get you or them to admit that you don't remember any such statement being made. That will weaken the testimony that you will later give. Just to be safe, I think it is best that neither you or any of your people have any discussion with Boeing or TWA or anyone else pertaining to our contractual relationship with Boeing or any statements or representations that were made by Boeing at the time we entered into the contract or on any statements or representations that were made by Boeing since then. That would mean, in effect, that I do not want any discussion which would even involve a discussion of the recent negotiations you have had with Boeing apropos to improving our deals. They record everything there at Boeing, so when they receive this letter they might try to get you or someone else on the telephone and extract something out of you on the telephone that would weaken our position. I urge that you and your people not get into any conversation on the telephone at all and any other conversations, confine them to the technical issues involved and not get involved outside of those areas. Just to be safe, avoid completely, any telephone conversations with Boeing completely. They will be recorded as soon as this letter is dropped in their laps. If it is necessary to have any discussions with Boeing apropos to the current technical changes on the airplane, I suggest that you have them in person at the factory in Seattle or in Kansas City, rather than on the telephone. In any such talks I would still like the conversation to be confined strictly to the necessary issues at hand and not get into the area we are talking about. I think you ought to talk to Ray Cook tomorrow and discuss with him what instructions, if any, we should give to our representatives in Seattle concerning the issuance of change orders and such. Such documents might be contrary to the letter or the intent of this letter we are going to hand them. In other words, the thought I have in mind here is that if this letter states or should state that we violated the agreement, then the signing of routine change orders and other such documents in Seattle might possibly invalidate the effect of our letter. Bob should talk to Ray Cook or Harry West tomorrow after the letter is written and have them decide to what extent our man in Seattle can operate from now on without weakening the effect of this letter. You should decide what instructions should be given to our people in Seattle and also at KC concerning any documents that are to be signed. It might be well just to hold up signing of any documents for the time being. Regardless of what Cook or West might say about that, I want the strictest directive issued to your people and I want you to follow it as well, so until I alter these instructions to you, I want you and your people to (A) have no telephone conversations with the people at Boeing concerning anything and (B) if conversations are needed, they should be had in person either in Seattle or KC and during such conversations, nothing should be discussed except the immediate and current engineering problems of the airplane. Do not digress from these subjects at all. The no telephone conversations will apply to anyone connected with Boeing, whether they are in Seattle or anywhere else. In any person to person, in person, conversations, I want the discussion confined strictly to the current technical problems that are necessary to be discussed and

(continued)

200657

RUMMEL, BOB

Sat., 3/29/58

7:00 p.m.

(Continued)

I do not want the discussions to deviate into any other area whatsoever. Concerning correspondence, I want everything, whether it is letters or telegrams from KC, or in the form of notations, change orders, memos and such that might be signed by our men in Seattle; the conduct of those matters I want to be thoroughly discussed with Ray Cook and Harry West and then have them dictate what should be done so that there will not be any mitigation of our position whatsoever. There should be no further discussions had by you concerning deliveries. I know that you have had some discussions regarding deliveries but until these instructions are countermanded I want that to cease. Be particularly careful to avoid completely any discussion of our contractual letters, avoid completely any discussion of deliveries in any way, shape or form, any discussion of statements that may have been made by us at the time of our discussions of the contract and since that time. regardless of what you get from Cook and West. I think there should be a temporary complete blackout of correspondence. The only thing that I can think of that might require taking care of would be a minor engine change and I don't see why that would have to be done immediately. I think we ought to change this to a complete blackout concerning telephone calls and correspondence. The only thing that you will discuss with Cook then would be change orders and memos. In other words, we remove the correspondence part of this thing to be discussed with Cook and West. As it stands now, the instructions come from me for a complete blackout and cessation of any correspondence, telegrams, telephone calls, etc. The only way that anything can be transmitted to Boeing is in an in-person conversation either at KC or in Seattle. This would leave the only thing up in the air is written change orders, written memos that are necessary in handling the normal routine of inspection by our representatives in Seattle. On that score, this is what I want discussed with Cook and West, and Cook should give the very strictest interpretation to protect our position. So, the only thing left to discuss with Cook and West will be the routine change orders and memos that normally have to be executed and signed by our representative in Seattle. In fact, I don't even like memos in that category so we better put them in the classification of the letters and correspondence. That leaves only the change orders to be discussed with Cook and West.

10:15 p.m. Rummel advised.

4:15 p.m. ERH advised.

Sun., 3/30/58

7:20 p.m. Reminding ERH that we will need the plane tomorrow morning.

Mon., 3/31/58

INFO

Cancel call of 3/30/58, they talked.

RUMMEL, BOB

HIC

Wed., 4/2/58

465

- 11:30 a.m. Locate him for a call this evening.
- 2:10 p.m. Ans: Will be home this evening and up until 11:30 p.m., CST. (Was told not to wait up for the call past 11:30 p.m.)
- 8:00 p.m. (Per Karl S.) Call him and tell him I will not be able to talk tonight and to go to bed and I will talk to him tomorrow.
- 8:25 p.m. Advised.

Fri., 4/4/58

- 4:25 p.m. I am extremely sorry but apparently your telephone was out of order. I waited on the line for about 15 minutes while we tried to get back to you. We even had the KOperator and everybody else working on the line but couldn't get a connection. I could hear you but apparently you could not hear me. I will call you tomorrow instead.
- Ans: I'm very sorry this happened and I will try to see what the trouble was. I should be here at home all day tomorrow. I may be in and out but unless you hear from me I will be at home.

Sat., 4/12/58

- 3:15 p.m. Locate. Probably at home, his line is busy.
- 4:10 p.m. Ans: Will stand by at home for the call.
- 5:00 p.m. HRH advised, and they talked.

Wednesday - 4/30/58

- 2:23 p.m. Locate.
- 2:25 p.m. A office until 5 or 5:30 pm (CDT 1 hour difference) then home in 1/2 hour after leaving office.

Thur., 5/1/58

- 9:40 p.m. My man Norman R. Parinet here will have information tomorrow. (CR 1-4400). He is enroute from Seattle and will call operations when he arrives Friday and is ready. If Parinet cannot be located, Walter Sherwood here also has info. I will call operations upon my return from Chicago late Friday night (11:30 pm or later).

200659

RUMMEL, BOB

Mon., 5/ 5/58

12:15 p.m. ERH advised.

INFO Call omitted, they talked.

Tues. 5/7/58

1:27 p.m. See if ERH can talk to him conveniently now.

1:29 p.m. Yes, he can call me on X 67 but I'm leaving for NY at 3 PM EC time and will be available at the Waldorf tonight around 10:30 pm NY time. At TWA office Thursday. OK 5-4525.

1:35 p.m. ERH advised.

7:30 p.m. I called Wellwood Beall and he was most agreeable. The meeting will be held on Monday, 5/19. I would appreciate an opportunity to discuss the situation in detail with you prior to my departure for Seattle.

Tue., 5/13/58

9:50 p.m. Would like to know upon return to NYC from Puerto Rico (see itinerary) whether to proceed to Seattle.

Sat., 5/17/58

5:30 p.m. Leaving at 6:00 a.m. to go to Seattle. Like instructions before leaving.

Sun., 5/18/58

8:20 a.m. Go on to Seattle but don't get into any business or technical discussion or any discussion relating in any way to the planes Boeing is building for us, before I talk with you. (The meeting he has scheduled Sunday was originally set for Monday and if I don't get him on the phone, he will have to postpone this meeting to its original Monday time.) Please be friendly and courteous with Wellwood Beall because I feel I am working something out with him, but please do not have any business or technical discussions until I talk with you.

5:05 a.m. Rummel advised in Chicago. (Rummel's calls of 5/7, 5/13 and 5/17 cancelled, per above instructions)

RUMMEL, BOB

Mon., 5/19/58

46
465

10 a.m. ERH will not be able to call you until tonight around 8 pm, Seattle time, and he has told Mr. Beall that he will not be able to call him until then. Therefore, would you please go ahead with the meeting that was previously contemplated before ERH started his last series of discussions with Mr. Beall. In other words, I would like the meeting to be limited to their explanations of the engineering reasons for the delivery situation and also any discussions which you feel desirable relative to engineering changes or improvements that you desire in the airplanes. If you finish this meeting comparatively early in the day, please do not drag it out for any reason as there is no point of taking up their time unnecessarily or progressing the negotiations any further until I talk to Beall tonight. I am working with Beall on something and I'm anxious to develop it before any negotiations with Boeing take an unexpected turn that would change the complexion of matters as they now stand. However, I do want you to have the meeting with them as I don't want any possibility of their feeling we are trying to stall things. In other words, they are disappointed that the meeting wasn't held before today and therefore, I do not want a report going to the fiscal officers of the company that we are perpetrating any kind of delaying action. However, as I said, there is no point of this meeting being delayed when there will be no discussion of the matters that I have just listed. I have sent word to Beall that I am going to talk to him tonight. I feel that I am making some progress with him of a plan which I hope will lead to an immediate settlement of our dispute with Boeing. Now Bob, this part is very, very important. Please do not agree to anything today; please do not make any statements whatsoever of our position; please do not acknowledge that anything they propose is fair; please do not acknowledge that their position on the deliveries is reasonable or anything of that kind. In other words, let them do the talking. Do not quarrel with them unnecessarily but please do not put them in a position which they have made heretofore, that my people agree with them that their position is reasonable and that we have no reason to feel that we are being discriminated against. In other words, I do not want them to be in a position of saying that you or any of your people, either in the meeting today or any other time, have agreed with them on any points of this dispute or have acknowledged that their position is proper in any detail.
Note: Mr. Rummel, this is such a long message and you are not writing it down. ERH suggested that I read it again to you. (After the second reading, ask him if there is any portion that he wants read a third time.)

10 a.m. Advised Rummel and the message was re-read a second time.

Tues., 5/20/58

10 a.m. Call him, person to person, and when you get him tell him I've been trying to get him since 2:10 a.m.

11 a.m. When you get him tell the Operator to cut in on me but very quietly and if I don't hear it the first time then just whisper the second time but not to talk loud.

12 a.m. Rummel called in and ERH advised at same time as ERH on line inquiring about Rummel.

MUOHL, BOB

Tues., 5/20/58 (continued) 465

11:25 p.m. Tell him I am extremely sorry I will not be able to call this evening and I will call tomorrow. Ask him what time he intends going to Boeing. (He has a 9 a.m. meeting.) Well, then, confirm that and find out what would be the best time to call in the morning so that I would not interfere with his breakfast or catch him in the bath. The later in the morning the better for me. I am extremely sorry I won't be able to call tonight and tell him I'm sorry I disturbed him last night.

11:35 p.m. The best time will be after 9 a.m. on our private line into Boeing, which is Alpine 5-8057, Seattle.

Wed., 5/21/58

9:10 a.m. (Per Sternler) Mr. Hughes will not be able to call until tonight but please go ahead with whatever you can accomplish at Boeing so you will be able to discuss this with HRH tonight.

10:29 a.m. (Kay (Glenn advised Rummel) Should like to talk to HRH before tonight because of this situation.

7:15 p.m. HRH will call you around 11:00 pm tonight, FWT.

8:20 p.m. I'll be back to the hotel before that time but if you need me before then, I'll be in the Outrigger Room of the hotel for the next few hours in case you would like to reach me before I get back to the room.

9:30 p.m. HRH is terribly sorry but he will not be able to call you this evening. He is at a telephone where he cannot talk and when he gets back to the hotel it will be so late to be impossible to talk, so he would suggest that you go on to sleep and he will call you in the morning. If you would like to go to bed now, fine and then HRH will not feel bad about calling you in the morning early.

9:40 p.m. That will be fine. I was planning on leaving in the morning but I will put that over until tomorrow afternoon because I would like to talk to HRH before leaving to see if there is anything left to do in Seattle.

Thurs., 5/22/58

9:25 a.m. How do I get him? MAIN 4-7400, Room 710.

200662

RUMMEL, BOB

Fri., 5/23/58

- 4:45 p.m. Anxious regarding latest deal, it falls far short. Beall is leaving Seattle on Monday and is going overseas on Friday. 465
- 7:30 p.m. ERH advised. I definitely would like you to stay in Seattle this weekend, particularly if Beall is leaving Monday because it appears that Saturday and Sunday are our only days to work with him. I will be available to talk to you and Mr. Beall on the weekend. The only reason I didn't call today was because, as you know, we are having the Directors' meeting in NY and I have had serious problems there. I was on the telephone with Ray Cook continuously starting at 5:30 am, PDT and that's why I failed to call you today, please forgive me. I will be available all weekend to talk to both you and Beall and I do urgently request (I know he doesn't like to be away from KC over the weekend) you stay in Seattle over this weekend and I urge that you keep Harry West there. I will call you real early in the morning. I hope that you will sleep until I call, that is I hope you will not leave a call with the switchboard girl to awaken you in preparation for my call. I will call very early and awaken you when I call. I hope that you will be sure that Beall is going to be in town and available both Saturday and Sunday. I hope that you will tell Beall that I will be available on the telephone both days and that I have requested you (Rummel) to remain there and we will try and get this thing solved in order that it won't drag on. This request is in case Mr. Beall is making plans to go away over the weekend.
- 8:45 p.m. Advised Mr. Rummel and he said he would call Beall but that he had to go back to KC tomorrow afternoon for sure. His wife just wasn't feeling too well and he had to return. He will have Harry West remain, but will discuss this with ERH in the morning.

Sat., 5/24/58

- 12:20 p.m. Locate for ERH to call right back.
- 12:21 pm In room 1206 of hotel.
- 1:25 p.m. ERH advised. (thru Jeannie)
- They talked.
- 5:00 p.m. ERH is calling Mr. Beall right now. He was delayed in reaching Mr. Beall because he wasn't at home for two hours following ERH's conversation with you. ERH cannot call you now and he hopes that you will be kind enough to wait there in Seattle and he will call you tomorrow before noon, Seattle time. Please keep Mr. West in Seattle with you.
- 5:10 p.m. Advised Rummel and he said he would have to place a call home and find out how things were there. If they are any worse, he will leave and go on back to KC and that Mr. West would remain. Will let us know.

200663

MUGEL, BOB

HTC ROMAINE

Sun., 5/25/58

- 2:00 p.m. HRE called you at this time and your room and page were DA. He will not be able to call you now until this evening. Mr. Allen has just returned to Seattle. I have had a long talk with Mr. Beall and he said he would have a talk with Mr. Allen and he would get back to me after he sees if he can change his attitude. I do not think it is strategically wise for me to call Mr. Beall again. If you could plan to stay and remain in Seattle until Monday night, I would be truly grateful. As long as you are there, I think we have a logical reason for us to get this thing cleared up in a hurry because of your trying to get back to ME. I am confident that you can leave tomorrow night because we do not get a favorable answer by then, I suppose we will not get it. I just wish that you could arrange your affairs to stay but if you cannot and you have a critical situation at home and have to go back, I'll understand.
- 10:15 p.m. Ans: Things are much better at home so I will be able to stay over. I'll be here in my room or at least in the hotel. Call as late as you wish.

Mon., 5/26/58

- 9:00 a.m. Mr. Hughes is waiting to hear from Mr. Beall, Beall has made an appointment with Allen and Beall has promised to contact HRE when he is finished with Allen. HRE would like you to spend the rest of the day in Seattle and he is hopeful of getting you out this evening or in the morning. Once HRE gets the answer from Beall he would like you to be there and guide this thing and instruct Harry West and West can remain in Seattle to follow up.
- 9:35 a.m. OK, that's fine. Will be at the Hotel or at the Plant in Ed Zak's office, the private number there is Alpine 5-8057.
- 2:05 p.m. Bruce Conley, VP in charge of the Transport Div. of Boeing, called me just a few minutes ago following the meeting with Allen and wanted to see me at 3 pm, PST. He went on to say that Beall had left town and that they didn't change the basic deal since Beall had talked to me. Suggested that they might then, after the meeting at 3 pm, go and see Mr. Allen. Like to talk to HRE before 3 pm, PST.
- 3:05 p.m. HRE advised of above.
- 3:05 p.m. Please do your very utmost with both Conley and Allen to get what we want on the use of the prototype. I think it is a good idea, in fact highly desirable for you to see Allen and give him your reasons why you feel we could have the prototype for the period we want it without being fatal to their program. Try to convince Allen that it is our firm belief and opinion that if they wanted to they could do this for us. Try to convince them that their saying they cannot do it isn't really factual. If they say they will not do it, then that is brought out by the facts but we firmly and sincerely believe, after all their explanations, that if they really wanted to do this thing they could. Make a real solid pitch to persuade Allen to overrule his other people. Be sure and tell Allen that if they will do this for us - the prototype - we will pay up the amount of money that has been withheld immediately and pay the interest

MUJOKL, BOB

HTC ROMAINE

Sun., 5/25/58

465

8:00 p.m. HNE called you at this time and the room and page were DA. He will not be able to call you now until this evening. Mr. Allen has just returned to Seattle. I have had a long talk with Mr. Beall and he said he would have a long talk with Mr. Allen and he would get back to me after he sees if he can change his attitude. I do not think it is strategically wise for me to call Mr. Beall again. If you could plan to stay and remain in Seattle until Monday night, I would be truly grateful. As long as you are there, I think we have a logical reason for us to get this thing cleared up in a hurry because of your trying to get back to ME. I am confident that you can leave tomorrow night because if we do not get a favorable answer by then, I suppose we will not get it. I just wish that you could arrange your affairs to stay but if you cannot and you have a critical situation at home and have to go back, I'll understand.

10:15 p.m. Ans: Things are much better at home so I will be able to stay over. I'll be here in my room or at least in the hotel. Call as late as you wish.

Mon., 5/26/58

8:00 a.m. Mr. Hughes is waiting to hear from Mr. Beall, Beall has made an appointment with Allen and Beall has promised to contact HNE when he is finished with Allen. HNE would like you to spend the rest of the day in Seattle and he is hopeful of getting you out this evening or in the morning. Once HNE gets the answer from Beall he would like you to be there and guide this thing and instruct Larry West and West can remain in Seattle to follow up.

8:15 a.m. OK, that's fine. Will be at the Hotel or at the Plant in Ed Zak's office, the private number there is Alpine 5-8057.

8:45 p.m. Bruce Conlay, VP in charge of the Transport Div. of Boeing, called me just a few minutes ago following the meeting with Allen and wanted to see me at 3 pm, PST. He went on to say that Beall had left town and that they didn't change the basic deal since Beall had talked to me. Suggested that they might then, after the meeting at 3 pm, go and see Mr. Allen. Like to talk to HNE before 3 pm, PST.

9:15 p.m. HNE advised of above.

200664

RUMMEL, BOB

HTC ROMAINE

Mon., 5/26/58 (Continued)

that they are contending. We will make no further protest about the delivery positions and that the entire wound between Boeing and TWA will be healed. To accomplish that purpose, it would justify some considerable concession on the prototype. I recognize that it will be a concession and that it will interfere with some of their programs, but it would be worth it. Tell Allen that HRE stood by all day waiting to talk to Mr. Beall and that you (Rummel) feel that this is going to be terribly disappointing if you have to tell HRE that this is still up in the air. Do not make any other concessions other than this. Do not agree or concede to a compromise. If a compromise is proposed, just say you will discuss it with HRE. If it is just a feeble compromise then just say outright "no, not under any circumstances". If the compromise comes close to what we want, then say you will have to discuss it with HRE. Particularly make it a firm proposal directly to Allen that his whole thing will be solved and the whole matter of the payments, interest and everything would be concluded immediately. I feel that unless Allen feels that this is going to end this difficulty, he doesn't have any incentive to try and bring this to a successful conclusion. Impress on him that this is an absolute firm proposal by me and that if they will do it, the thing is done. Do not commit to anything less than the whole. That would mean that we would get the plane commencing on the 9th of July, except for the time to get it ready.

3:10 p.m. Ans: Advised Mr. Rummel.

6:55 p.m. I had the meeting this afternoon. We went over the things as outlined and I held our position all through the meeting. They had a meeting with their people all morning and he is not going to in anyway accede in Mr. Hughes behalf. They made a study and said that they have already been put in jeopardy. He feels that the contract has not been complied with. I asked him if I could show them that these tests could be run in alternate ways to make the prototype available without injury. He said his men have already made a study, that they have already reviewed this and he has complete confidence in their decision. If he didn't have confidence in them that he would replace them. I made every effort to sell Allen and I held the position that I felt they could do these tests if they wanted to. They denied that. They made an offer in writing in terms they feel Mr. Hughes understands. I told them that they in no way meet the requirements. Mr. Allen wishes Mr. Hughes would call him and they could probably then come to some agreement. He feels that Boeing's position is sound, that they had a contract and they should be paid. I believe the best course would be for Mr. Hughes to get in touch with Allen directly. I see no reason to remain and would like to leave tonight.

7:20 p.m. HRE advised of the above per KB.

7:20 p.m. (Per KS) Tell him that I appreciate his staying over and I have no objections to his leaving tonight. Harry West can also leave unless you object. Many thanks for your efforts.

7:30 p.m. Ans: I will try to get out tonight.

RUMMEL, BOB

6:55 p.m. I had the meeting this afternoon. We went over the things as outlined and I held our position all through the meeting. They had a meeting with their people all morning and he is not going to in anyway accede in Mr. Hughes behalf. They made a study and said that they have already been put in jeopardy. He feels that the contract has not been complied with. I asked him if I could show them that these tests could be run in alternate ways to make the prototype available without injury. He said his men have already made a study, that they have already reviewed this and he has complete confidence in their decision. If he didn't have confidence in them that he would replace them. I made every effort to sell Allen and I held the position that I felt they could do these tests if they wanted to. They denied that. They made an offer in writing in terms they feel Mr. Hughes understands. I told them that they in no way meet the requirements. Mr. Allen wishes Mr. Hughes would call him and they could probably then come to some agreement. He feels that Boeing's position is sound, that they had a contract and they should be paid. I believe the best course would be for Mr. Hughes to get in touch with Allen directly. I see no reason to remain and would like to leave tonight.

7:20 p.m. HNH advised of the above per KS,

7:20 p.m. (Per KS) Tell him that I appreciate his staying over and I have no objections to his leaving tonight. Harry West can also leave unless you object. Many thanks for your efforts.

7:30 p.m. Ans: I will try to get out tonight.

RUMMEL, BOB

HTC ROMAINE

Mon., 7/28/58

7:50 a.m.

(Per Hurley) What is his number? Home is Endicott 2-4838 and the office is Grand 1-4400. They talked.

Tue., 9/1/58

12:20 p.m.

Re Convair deliveries.

Tue., 9/16/58

10:45 a.m.

(Per Hurley): Call him and tell him that the agreement on the prototype be with the KTC and not TIA and that it has been consummated. Be sure that nobody in TIA signs or executes any other documents which will be presented TIA.

Ans: Kay advised Mr. Rummel.

Sun., 10/19/58

11:15 p.m.

Locate him and have the hotel get him on the line and then have them ring very lightly and I'll P/U the call.

11:20 p.m.

Located Rummel at home - Endicott 2-4838, KC. (They talked) Rummel's call 9/4 cancelled on this basis.

Sun., 11/23/58

3:45 p.m.

Call him and find out what his schedule is for the remainder of the day. would like very much to call him sometime about 2 to 2 1/2 hours from now (it about 5:45 to 6:15 pm PST) if that would be convenient.

3:55 p.m.

Ans: That would be fine. I will be at home and usually don't retire until around midnight.

Thu., 12/11/58

INFO

They talked.

RUMMELL, BOB

HTC ROMAINE

Thu., 12/11/58

465

4:20 p.m. Adv HRH this information: First, the airplane is not going to fly tomorrow; Edwin Zak, home #Glencourt 4-6283, Seattle Wash.; direct office # Alpine 5-8057, Renton, Wash.; # thru Boeing plant Cedar 7-2656. (Zak is plant representative in engineering).

Fri., 12/12/58.

Info: Omit. (information only contained in call of 12/11/58.)

Tue., 12/16/58

11:50 a.m. Locate.

11:55 a.m. Reached him just as was leaving for KC. Leaving at 5:30 pm, Arr KC 8:30 pm.

Mon., 12/22/58

10:15 a.m. Locate him and ask him if he will go home where I can call him.

10:30 a.m. Ans: Will be home - ENdicott 2-4838.

10:00 p.m. Advised HRH.

Sun., 1/4/59

6:25 p.m. I want to talk tonight if possible. I can't reveal what it is about.

Tue., 1/6/59

1:45 p.m. HRH advised.

Wed., 1/14/59

12:05 p.m. Advised HRH.

200667

RUMMEL, BOB

LTC POMARINE

Mon., 1/19/59

3:00 p.m. ERH advised of Call by Raymond Cook.

465

Tue., 1/22/59

9:30 a.m. Very important I speak to you.

Sat., 1/24/59

12:40 a.m. Notify Boeing that the acceptance flight will positively be Sunday or Monday. It will not be later than Monday for sure. We will let them know which it will be - Sunday or Monday - but we do not want it tomorrow. If the plane is completely ready for flight, then I would like the plane to remain idle. If there is any work that can be done tomorrow - without flying the plane - then let the needed and necessary workmen do what should be done to accomplish this, otherwise lock the plane up.

5:00 a.m. Rummel advised.

Sun., 1/ 1/59

11:30 a.m. Locate. He's at home (Ray had just talked to him) in KC, Mo. - ENDICOTT 2-4831. Advised ERH and they talked. Rummel's calls of 1/4 and 1/22/58 omitted on this basis.

4:45 p.m. I talked to ERH but did not get into anything. Still important I talk to him.

7:45 p.m. They are expecting a call (either Rummel or Bourke). Call them and find out what time or what time they are retiring and if I haven't called by that time they should please go on to bed and not wait for my call. It may be impossible for me to call them tonight and I will call them in the morning.

8:00 p.m. Advised, not expecting a call.

Tue., 1/ 1/59

3:45 p.m. I want to be able to talk to either one or the other, whichever has the report that I was looking for on Sunday (Rummel or Bourke).

5:55 p.m. Hilland 4-8505 until 8:30 pm, PST, then leaving for NYC.

9:05 p.m. ERH advised.

200668

RUMMEL, PCB

HTC ROMAINE

Tue., 3/10/59

465

7:40 p.m. Boeing just returned from it's FAA acceptance flight on the 402; the flight was unsuccessful in that there were 4 major spots requiring additional flight time and I'll advise further as soon as we have a better idea of what the schedule for correcting the deficiencies is; the majority of the trouble was electronics.

Fri., 3/13/59

5:10 p.m. Progress report on the Boeing situation: Flight last evening was a five hour flight manned by a special flight test crew. It was an effort to get to the bottom of the difficulties. Flight boarded three late due to failure in primary hydraulic system which caused instant loss of hydraulic fluid. They seem to have isolated the compass problem to the flux valve installation. They expected to fly around noon today but further review revealed too much work and presently they have scheduled additional Boeing and CAA flights for 10:20 am tomorrow morning.

Some things that still need correction: (1) Compass, (2) Auto Pilot, (3) Air Conditioning system, (4) Replace #2 engine reverser because of sticking problem, (5) Generator problem I'm sure has been taken care of, (6) Fuel tanks have two small leaks but we can't do that now without typing up the plane. Will have to have fixed after this next flight prior to acceptance flight. If they make the 10:00 am date then the earliest that we could conduct acceptance flight would be Sunday morning. Then if all things are acceptable to both Boeing and CAA, and with our flight on Sunday, if it is perfect, we would go ahead with delivery Sunday night which has been agreed to. If so, we could still have plane in San Francisco by Monday morning.

Sun., 3/15/59

7:15 p.m. Airplane just took off on its acceptance flight (TWA) at 6:32 pm, estimating at 3 to 5 hours; possible it may pass but not probable. Will call later with the info.

Mon., 3/16/59

12:03 a.m. The TWA flight is down and we have had our debriefing; it's a dirty, sick airplane; most of the trouble with the exception of one item which we had before is still there plus others that we have picked up. Boeing's crew will be working all night. It definitely will not be available 3/16 and probably as a guess we'll be lucky to have it 3/17 so we're in a very bad situation under start of service date.

200669

RUMMEL, PCB

Mon., 3/16/59 (Continued)

7:45 p.m. Progress report: Test flight is scheduled for 6:30 am in the morning. Will be working on plane through the night. A flight was scheduled for 5:00 pm this afternoon, then rescheduled for 10:00 pm. There is a good chance this flight tomorrow will be successful. If so, we will leave immediately for Portland delivery. If we get there in time we should still get the plane to San Francisco tomorrow night. I will call tomorrow.

Tue., 3/17/59

5:40 p.m. We took delivery on the first KC Jet in Portland this morning and delivered it to TWA in San Francisco and it left Frisco on the first leg of the FAA proving run at 3:23 pm PST for NYC scheduled to arrive at 11 pm EST 3/17; with good luck we'll make our start of service date. Back (the plane) in Frisco 3/18.

INFO Cancel all pending calls prior to 3/17 except the 3-1 call per the 3/17 message. See later call.

Mon., 3/30/59

4:50 a.m. Get him located for a call in 20 minutes and have him completely private. If by any chance that airplane is taking off before 6 am, have Rummel hold it until I talk to him.

5:00 a.m. Ans: Advised. W/b at home and can talk.

5:10 a.m. ERH advised and they talked. (Calls canceled on that basis)

INFO 9:00 am: The airplane has left Seattle. If left at 7:25 am Seattle time with a 3 hour flight plan and will arrive in KC 12:25 pm KC time. Boeing is aware I do not have the money yet, but have agreed to bring the plane in on ERH's personal assurances that the money will be delivered today. I have made arrangements with Boeing for use of the airplane even though we do not consummate the transaction later today, but it is important that the money be gotten. Let me know just how it is going to get here. ERH said he may get it on the 12 o'clock flight, or maybe wire it. Don't press this with ERH, as he is aware of all this; I'm just giving it to you for information purposes. Though we talked, I did not cover the information in my previous calls, so wish them to remain on your record there.

INFO Kay called him at 1:45 pm and notified him that funds had been officially transferred to Pacific National Bank, Seattle, in the amount of \$3,521,079.64 for the Boeing account to accomplish the completion of the delivery of #3 airplane - N/33TW, Manufacturer's #17660, Production #103. Evan Nelson, Boeing treasurer - JWB-2286 - confirmed this.

200670

RUMMEL, BOB

HTC RUMMEL

Thu., 7/2/59

461

Bob Rummel reported the following as bits of information he has received on the Milan-Paris bound TWA crash: That the flight cleared Milan and was cleared to the range station; the last radio message was at 10 thousand feet circling and climbing and 3 minutes after that it was on the ground having crashed between the range station and the airport. It is very clear that the craft broke up in the air; it is clear that the wing came off; it's clear that there was a bulging explosive type action inside the wing where it parted from fuselage. From the distribution it appears that it was somewhat progressive, it could have blown off. It appears that the engine power plants were not the source of the fire; it appears that it was not a propeller malfunction and it was not a PRT malfunction. Some of men are en route home this weekend; there will be further conferences, etc., and thereafter more information will be available. I will keep you posted.

Wed., 7/29/59

3:55 p.m. Without committing me to an exact time find out what his schedule will be for the remainder of the day and evening. (HRH may not need to call Rummel after speaking to Bourke.)

3:30 p.m. Ans: Leaving for home now and be there in 30 minutes (EWdicott 2-4839 or 2-8622)

Sat., 10/10/59

1:30 a.m. (Per EG) Call your Chief Inspector at Convair and instruct him to not commit the Hughes Tool Company to the acceptance of any or all of the contracted airplanes that have any appreciable defects or have the worn appearance corrosion on major skin assemblies. Also, I would like you to discuss this problem with Harry West so that anything the inspector may say or sign, or by the omission of saying or signing something may be construed as the acceptance of the airplanes. Please, Bob, I do not want any big furor caused in the inspection department that would stir up Convair, so please handle it as carefully as you can.

2:10 p.m. Ans: Advised by EG.

Thu., 2/11/60

2:45 p.m. (Per EG) (1) Have had wire from Diggs of Convair requesting permission to train 6 FAA air carrier flight inspectors using our No. 5 airplane; they want to train 2 immediately and it will require 5 hours of flying; (2) Want permission to take a 331 into San Francisco to get the San Francisco clearance which is required by the SF Port Authority on the 17th and 18th of February. SF City ordinances require that the airplane and pilots have experience in and out prior to its flying in and out on regular passenger flights.

200671

RUMMEL, BOB

Sat., 2/13/60

INFO

Omit, they talked

Mon., 5/23/60

3:55 p.m. Would like to talk as soon as he can.

Ans: (As of 4 pm en route home; left word with wife.)

4:55 p.m. ERE advised.

INFO Omit. They talked.

7:45 p.m. Find out if it is convenient to call him in the morning.

8:00 p.m. Ans: Will leave for the office at 3:30 a.m. PDT and arrive at 8:30 PDT.

Tue., 5/24/60

7:30 p.m. ERE asked me to call him person to person at the office and that way it would right through to him. Nothing critical on my part but he wanted to be kept of the accident details; now have further info and am prepared to discuss it him.

Wed., 5/25/60

2:30 p.m. (Per Johnny) Line him up for a call at about 5 o'clock.

Ans: (Per Mrs: He is enroute home from Virginia and I don't expect him home before 11 o'clock EDT; If he calls me before then I will have him call Opas immediately.)

9:15 p.m. Ans: Advised.

Fri., 5/27/60

10:15 a.m. Available by phone without pinpointing an hour for today and this early even

Ans: (left word - en route from Bristol, Va. to NYC via auto.)

200672

RUMMEL, BOB

HTG 1-10-60

Tue., 5/31/60

5:30 a.m. Locate him for a call.

5:31 a.m. Ans: In my office.

INFO They talked.

Wed., 6/1/60

7:45 a.m. (Per BG) Delta had a failure in the #2 hydraulic system on the flight out of Idlewild this morning. The #2 system which is backed by the third and fourth engines. The pilot immediately went into low hydraulic throw and opened the temporary control system and then he noticed that the #1 and #2 systems were starting to fail and he then repeated the same procedure and decided to return to Idlewild. When he got back to Idlewild he was unable to free fall the nose gear so he used the hand pump which forced the gear into the down and locked position. He put the flaps down to 20 degrees and there are 2 conflicting reports. Some say that there was some Dutch roll coming in and some say he did not. But in any event, he dropped the left wing slightly and then dropped the right wing and when he dropped the right wing the 4th nacelle scraped. The fitting in both systems was cracked and the question is whether it was broken in flight. One system they know was broken in flight but the second system may have broken when they hit the ground. There is no publicity on it. The incident occurred after HRE talked to Thomas.

Delivery date on the #11 Boeing will be June 21; on the #12, June 28.

9:55 a.m. HRE advised by BG.

11:15 a.m. (Per George) Get him on the line for HRE.

INFO They talked.

Fri., 6/3/60

3:30 a.m. Get a complete copy of the report of the accident and HJ to type two copies which are to be delivered to the parties concerned by G. Grace.

3:30 a.m. Ans: No report is available at the present time so far as I know. In view of the confidential nature of such information it would be very difficult to get the report before the official inquiry is held. Charles Collar is the man in charge of the investigation and Dr. Wilbur is the man on the human factor team who gave out the information that HRE already has. Heading the human factor team is Bernie Doyle of the CAB. (Dr. Wilbur's remarks dictated and typed by HJ and delivered to parties by G. Grace.)

200673

RUMMEL, BOB

Sun., 6/ 5/60

5:20 p.m. (Per Johnny) Get him on the phone now.

5:30 p.m. Ans: Mr. Rummel en route to Los Angeles on #71. Arrive 10:55 p.m. Stayed at the Hyatt House. Stops in St. Louis for a short time at 8 p.m. PDT.

INFO They talked in St. Louis.

465 -

Mon., 6/6/60

8:15 a.m. Am at the Hyatt House. Ready to talk to HRH.

10:00 a.m. Get him on the line so I can talk to him.

10:00 a.m. Ans: Advised.

INFO Omit; they talked.

Wed., 6/ 8/60

7:05 a.m. Find out if he has a wake up time and if so ring him 15 mins later and tell him I would like to talk to him.

7:45 a.m. Ans: Will get a bite to eat and then wait for the call.

INFO Rummel was given a message from HRH by BG, and is expecting a call tonight from HRH.

Thu., 6/ 9/60

8:00 a.m. Convair plans to conduct the test at Edwards Air Force Base today contrary to HRH's orders. Did he authorize these tests. If so - fine.

INFO Cancel; Rummel called Digges.

Fri., 6/10/60

7:45 a.m. Tell him that if he has finished at Lockheed I don't want him to go to San Diego till Monday morning. I have spoken to the people at Convair and made arrangements for Monday morning. If there is nothing further he can do at Lockheed and his associates want to go home, it is OK providing they obtain Mr. Thomas' consent. If he and his men would like to remain in Los Angeles I am sure the weekend will be entirely wasted and probably arrangements can be made to go to San Diego.

RUMMEL, BOB

Fri., 6/10/60 (Continued)

461

to negotiate with Convair people concerning a number of matters. So if he and his men elect to stay over the weekend which I think probably would be wise, now that I reconsider the matter, for many reasons, then he could spend another day at Lockheed if he thinks it would be of any value at all or perhaps he could take it easy here in Los Angeles until I could speak to him this evening which I will do without fail.

8:00 a.m. Ans: Advised.

Sat., 6/11/60

9:45 a.m. (Per GP-BG) ERH does not want you to leave town until he talks to you later this afternoon.

9:46 a.m. Ans: Advised; will be at the hotel (please page) or will advise.

10:30 a.m. Where is he? In his hotel room or within the hotel. Get him where he is completely private in his room; he can have Rourke next door in his room but not in Rummel's room so he can talk privately as I may wish to have Rummel ask Rourke some questions but don't want him in the same room.

10:35 a.m. Ans: In my room; will work it out.

Sun., 6/12/60

10:00 a.m. (Per) Rummel and Rourke to remain in town until ERH talks to them.

10:30 a.m. Ans: Advised.

Mon., 6/13/60

10:00 a.m. (Per BG) To be placated, and held in town. ERH wants Rummel & Rourke to have a meeting with the doctors this evening, so it is important that they remain here. However, ERH does not want them to meet with any of the doctors until ERH talks to them.

10:15 a.m. Ans: (Per BG) Advised.

Tue., 6/14/60

a.m. I will call them this morning. Please ask them to wait at the hotel. They wont have to wait there very long.

200675

RUMMEL, POB

HTC RUMMEL

U61

Tue., 6/14/60 (Continued)

8:30 a.m. Ans: Advised.

12:20 p.m. (Per BHH Operator) Be sure he is where I can reach him.

12:25 p.m. Ans: In my room.

2:20 p.m. (Per George) Get him on the line now.

INFO They talked.

9:20 p.m. (Per Johnny) Placate him; get him to sleep; BHH does not want him to leave LA tomorrow and BHH will finish his discussions with him then. Rummel can tentatively plan to go to SD day after tomorrow but do not make any appointments or anything with any of those people until after BHH finishes his discussions with him tomorrow.

9:45 p.m. Ans: Advised.

Wed., 6/15/60

11:30 a.m. (Per George) Have them standing by immediately until they are called. BHH expects to call them right away.

11:50 a.m. Ans: Advised.

1:25 p.m. If they want to leave their hotel room this afternoon, tell them to feel free to do so. Tell them I have been working very hard all day and I finally got something to eat and apparently over-ate and it made me sleepy, so I'm going to lay down for two or three hours. I will want to call later on this afternoon, or if not this afternoon, this evening for certain, so would be very grateful if they can be in their hotel rooms this evening. This will not delay their departure for San Diego in the morning.

1:40 p.m. Ans: Advised; will be out, but will check with Ops.

Thu., 6/16/60

7:30 a.m. OK for him and Mr. Bourke to go to San Diego but don't reveal to anyone from Convair that they are down there. Please wait in their hotel rooms for a call from BHH and be sure not to talk to Haisch until they hear from Mr. Hughes.

7:30 a.m. Ans: Advised. Leaving in a couple of hours.

12:15 p.m. Am here in SD now and ready to talk.

200676

RUMMEL, BOB

HTC ROMAINE
150

Thu., 6/16/60 (Continued)

5:40 p.m. ERE advised by note - Johnny.

INFO Cancel call of 12:15 p.m. It is information only, and ERE has been advised.

9:25 p.m. I will not be able to call them for a while (Rourke & Rummel). If they feel they could go to sleep now or some time soon, then I would suggest they go right ahead and try to do so and I will call them tomorrow at any hour they would prefer to have me call. On the other hand, if they do not feel they could go to sleep for quite a while yet, in that event I wonder if they could tell you (Opns) what time they think is the earliest that they will be able to sleep or call Opns when they get sufficiently sleepy so that they think they can go to sleep. On the one hand, if they can go to sleep now, fine, I will call them in the morning; but if they think they cannot go to sleep for quite a while then please tell Opns what is the earliest they think they would be able to go to sleep, or if they have no way of knowing this, then why don't they just relax and look at the Tokyo riots on the TV so they can tell me about it, and call Opns whenever they feel that they are sufficiently sleepy that they could go to sleep. If I have not been able to call them by then, I will call in the morning. The reason it occurred to me that they might be able to go to sleep this early is that by New York time it is already 12:30, and I know they are basically adjusted to New York time even though they have been here a while.

9:40 p.m. Ans: Advised; will be up for a while; tell ERE since he is so terribly busy he can call any time during the night and not worry about upsetting our sleep too much.

Fri., 6/17/60

11:55 a.m. (Per GF) Make sure that he and Rourke are available for a call from HTC at any time; ERE expects to call them at any time, probably this afternoon. ERE wants them to make appointments for tonight or in the morning with the people that they want to meet with down there, at any time, but don't tell them anything until ERE talks to you.

12:15 p.m. Ans: Advised; will be in the rooms or in and about the hotel.

Sat., 6/18/60

2:00 p.m. The second training airplane (400) is on a flight test now and depending upon the results of the test it will be ready for delivery. We expect to have the airplane ready late today for Monday morning 6/20 delivery.

6:00 p.m. Contrary to our early expectations the airplane is not ready due to a fault in the hydraulic system. It is not expected to be ready for delivery before Monday or Tuesday at the earliest.

200677

RUMMEL, BOB

Fri., 5/17/60

11:55 a.m. (Per GF) Make sure that he and Bourke are available for a call from EWH at any time; EWH expects to call them at any time, probably this afternoon. EWH wants them to make appointments for tonight or in the morning with the people that they want to meet with down there, at any time, but don't tell them anything until he talks to you.

12:15 p.m. Ans: Advised; will be in the rooms or in and about the hotel.

Sat., 5/18/60

2:00 p.m. The second training airplane (400) is on a flight test now and depending upon the results of the test it will be ready for delivery. We expect to have the airplane ready late today for Monday morning 5/20 delivery.

5:00 p.m. Contrary to our early expectations the airplane is not ready due to a fault in the hydraulic system. It is not expected to be ready for delivery before Monday or Tuesday at the earliest.

200677

RUMMEL, RCB

HTC ROMAINE

Sun., 6/19/60

5:00 p.m. Very anxious to talk.

INFO Call of 6/18 2:00 p.m. cancelled per call of 6:00 p.m.

Wed., 6/22/60

4:30 p.m. #20 is satisfactory for training; certainly like to talk; need his guidance.

INFO Cancel call of 6-18 per later call.

8:40 p.m. Contrary to what I told you a little earlier the #20 airplane must have another 30" flight to check the compass but we are virtually assured that there will be no problem. However, while the flight is scheduled for 6/23 morning Convair has taken the position they will not make the flight, which would in effect be an acceptance flight until they are absolutely sure we are going to take the airplane...

Fri., 6/24/60

10:30 a.m. (Per BO) If he wants to go home for the weekend that would be alright.

10:35 a.m. Ans: Advised; I have a couple of my children here, so will remain here over the weekend, but Bourke may decide to go home for the weekend.

Tue., 6/28/60

INFO Cancel call of 6-22-60 at 4:30 pm per later call.

Thu., 7/ 6/60

7:00 p.m. Locate for a call tonight.

7:10 p.m. Ans: Available all evening. If I go out I leave a number.

200678

RUSSEL, BOB

HIC ROMAINC

Sat., 7/9/60

- 4:15 p.m. Locate for the evening.
4:30 p.m. Ans: Advised; will keep checked in.

Thu., 7/14/60

- 4:30 p.m. Convair has written me a letter which advises that if #20 isn't delivered by 7/18 they are going to put it back into production and complete it for passenger service which is about a three week job. Need to talk to HRE to get a decision.

Sun., 7/17/60

- 11:00 a.m. (Per BO) Call him and tell him or intimate at least that Mr. Hughes has said that wants nothing further done about #20 until he has had a chance to discuss it with Mr. Walsh.
6:00 p.m. Ans: Advised. Will contact the people concerned.

Mon., 7/18/60

- INFO Call of 7/14 cancelled. BO discussed the matter this morning with Digges and Digges extended the deadline until tomorrow, 7/19. HRE must now call Digges regarding the matter.

Tue., 7/19/60

- 3:35 a.m. (Per George) Get him on the line for me.
(BHE Operator dialed number and they talked.)
INFO Omit all previous calls; they talked.

Mon., 8/22/60

- 8:00 a.m. Get him on the line for me and have Russell Bourke with him
(Bourke in San Diego. Rummel in NYC)
INFO They talked.

200679

RUMMEL, BOB

Tue., 8/23/60

461

5:55 a.m. Get him on the line for me. (BHH Operator dialed his home and was informed that he had already left for the office; Oprr rang his office. Rummel had been delayed on a tie-up on the New Haven RR and was expected any minute. BHH was told this and requested that word be left for Rummel to call BHH as soon as he arrived at the office. At 6:15 a.m. Rummel called BHH and they talked.)

6:30 a.m. Get him on the line for me.

DWO They talked.

6:45 a.m. Call Rummel and give him the following message. In addition to the program that I urged him to conduct with respect to United Airlines that I suggest in addition to that he have Rourke get to Seattle as quickly as possible and ask Rourke to conduct a comparable program with the 720 alone first, in Seattle. Conduct a program comparable to what we are planning to do with United Airlines if there is going to be any delay about pacing the 720 and the 120 along side of each other. 1 - Accelerate Rourke's arrival in Seattle. Make it as quickly as possible. 2 - Ask Rourke to immediately without a minute's delay try to carry out in Seattle a program with the 720 alone comparable to what I asked Rummel to do with United Airlines. This is to be done in Seattle first and to be followed by the original program in Seattle involving the pacing of the 720 along side of the 120. The reason for carrying out the program with the 720 alone first being that I think this could be done more quickly than to prevail upon Boeing to pace the 720 along side the 120. I think we could get Boeing to permit Rourke to fly in the 720 alone. Therefore, I suggest that Rourke carry that program out first to be followed by the program of pacing the 720 along side the 120.

7:00 a.m. Ans: Advised.

Wed., 8/24/60

8:00 a.m. Get him on the line for me right away. (BHH Operator dialed his office. Rummel had not yet arrived but was expected any minute. BHH advised of this and left word for Rummel to call as soon as he arrived.)

Called the BHH and asked for EPH at 6:55 am. They talked.

9:00 p.m. I have some of the information that EPH wanted me to get and advise him of. Tell him that Rourke's flight did not come off because the airplane simply was not ready. It was put off hour by hour all day and finally cancelled. It is set for 8 am 8/25. I have a little more information and would be glad to discuss it with you at your convenience.

RUMMEL, BOB

HTC ROMAINE

Fri., 8/26/60

- 5:45 p.m. Find out where he is going to be this evening and be sure he can reach Bourke.
- 9:20 p.m. Advised and will be at home.

Tue., 8/30/60

- 6:00 a.m. Get him on the line for me.
- 6:05 a.m. At home and they talked.

Mon., 9/26/60

- 5:25 p.m. Tell HRH that Bob Murphy of Boeing called and advised in confidence that Eastern Airlines signed up today for 40 727's. That's the short to medium haul tri-motor for delivery starting late in 1963. Further, United have their Board meeting coming up on Thursday and Boeing is confident that United at that time will confirm its order.

Sat., 11/ 5/60

- 9:30 a.m. Please up-date my previous call and tell HRH that Eastern has confirmed their order and signed a contract. United has sent a letter of intent for 40 of these planes. American is seriously considering an order; as are several other airlines.

Tue., 11/22/60

- 12:30 p.m. I have received a letter from Convair setting December 9 as deadline for delivery of the 880's.

Fri., 12/ 2/60

- 9:30 a.m. Like to talk re letter from Convair of 11/23/60 on new delivery schedule.

20068

TWA Ex. 23, page -1-
(Letter Agreement-Sale of Six Boeings to Pan American)

Houston, Texas
June 23, 1959

Pan American World Airways, Inc.
135 East 42nd Street
New York 17, New York



Dear Sirs:

The undersigned is a party to a contract (identified as "Agreement No. 97") dated March 19, 1955, with the Boeing Airplane Company (hereafter referred to as "Boeing") relating to the purchase of 18 Boeing 707-331 airplanes, a copy of which has been initialed by us and delivered to you. Copies of all exhibits, amendments, supplements and change orders thereto, which provide for a total purchase price of approximately \$5,500,000 per aircraft, will be furnished to you promptly after your acceptance of the offer set forth below.

We hereby offer to transfer to you, subject to any necessary consent of Boeing, in the form of a novation or otherwise, (which consent both you and we will use our best efforts to secure) the orders under this contract relating to six airplanes. These six airplanes shall be the second, fifth, eighth, eleventh, fourteenth and seventeenth scheduled deliveries. At the time when Boeing signifies such consent you will assume all further obligations of the undersigned to Boeing in respect to these airplanes, including any notes given by the undersigned to Boeing in lieu of installment payments, and will reimburse the undersigned for all cash installment payments theretofore made in respect thereof, together with interest on such cash installment payments at the same rates as you would have capitalized under your standard accounting procedures if you had made each of such installment payments at the dates when these were made by the undersigned, and will further reimburse us for any interest or principal paid by us to Boeing on the notes referred to above. Subject to our obtaining any necessary consents of vendors, you will also take over our obligations for a proportionate share of the spare engines, spare parts and Buyer-Furnished Equipment that we have ordered for our 331 airplanes, and will reimburse us for all cash payments (together with interest thereon at the appropriate rate determined as set forth above) made by us with respect to the purchase price thereof.

HTC - HOUSTON

3396

(Letter Agreement-Sale of Six Boeings to Pan American)

49

By accepting this offer you will grant the undersigned an option, exercisable to and including September 30, 1959, to purchase from you your entire fleet of six Boeing 707-121 aircraft (or such of them as are in existence at the date of exercise of the option and at the dates of deliveries hereafter specified), related spare engines and such spare parts as are applicable only to those aircraft. The price shall be your original cost (including capitalized interest during manufacture) for the air frames, together with cost less depreciation at your established rates and appropriate adjustment for overhaul in the case of engines and spare parts. The undersigned shall designate the place of delivery, but if this is other than Idlewild International Airport, will reimburse you for any costs entailed thereby. The undersigned will also be responsible for any sales taxes in connection with the delivery of the airplanes and spares. The airplanes will be accepted in good operable condition, and the undersigned will promptly remove all Pan American insignia therefrom. You will assign any warranties or other rights against the manufacturer which may be assignable and we will accept any obligations to the manufacturer required by your purchase contract with the manufacturer in connection with sale of such aircraft. The first 121 shall be delivered two weeks after your receipt of the first 331 as above provided, and each of the additional 121's shall be delivered two weeks after the date of the delivery of the corresponding 331. While it is intended that this letter, if accepted by you, shall constitute a binding agreement, this option will be embodied in a formal document to be promptly prepared and executed, which will provide that your obligation to consummate the sale of your 121 aircraft shall be subject to such approval or exemption by the Civil Aeronautics Board as may be required.

Unless Boeing's consent referred to above is obtained within thirty (30) days from the date of this offer, either party by written notice may terminate all its obligations hereunder.

(Letter Agreement-Sale of Six Boeings to Pan American)

3
49

If you desire to accept this offer, kindly so indicate in the
place provided below.

Very truly yours,

HUGHES TOOL COMPANY

By S/ Raymond M. Holliday
Vice President

ACCEPTED: June 25, 1959.

PAN AMERICAN WORLD AIRWAYS, INC.

By S/ JUAN S. TRIPPE
PRESIDENT

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----- -x

TRANS WORLD AIRLINES, INC., :

Plaintiff, :

-against- :

61 Civ. 2324

HOWARD R. HUGHES, HUGHES TOOL :

COMPANY and RAYMOND M. HOLLIDAY, :

Defendants. :

Before the
Hon. Herbert Brownell
Special Master

----- -x

AFFIDAVIT OF JOSEPH P. RIPLEYSTATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

JOSEPH P. RIPLEY, being duly sworn, deposes and says:

1. I am a citizen and resident of New York, residing at 570 Park Avenue, New York City, and am Honorary Chairman of Drexel Harriman Ripley, Incorporated.

2. I collaborated with Edward J. Morehouse in the preparation of the report of Drexel Harriman Ripley, Incorporated dated May 2, 1966 and entitled "Re: The Financing of Trans World Airlines, Inc. During the 1955-1960 Period", consisting of three volumes, which have been marked TWA Exhibits 5A, 5B and 5C for identification.

3. Until July of 1965, the preparation of the report was under my personal direction, with Mr. Morehouse acting as my principal assistant. During this period I fully expected to be

available to testify orally on behalf of TWA, but in July of 1965 I suffered a serious heart attack, and the final completion of the report was under Mr. Morehouse's direction. I continued however to collaborate with and assist Mr. Morehouse and am in full agreement with every opinion expressed in the final report, as is evidenced by my signature.

4. When I learned of the objection to the use of my name set forth in paragraph 1 of the "Defendants' Objections to Testimony of Edward J. Morehouse" dated November 21, 1966, on the ground that I was not offered as a witness, I desired to make myself available as a witness in order to obviate that objection. I urgently requested Dr. Irving S. Wright, my heart specialist, to permit me to testify, explaining that oral cross-examination would be involved. He refused to give his consent, and advised me that such oral cross-examination would be hazardous. His letter to this effect dated November 29, 1966 is annexed hereto as Exhibit A.

5. I have asked counsel to submit this affidavit on my behalf in order to make clear to the parties and the Special Master the reasons why I have been unable to offer myself for oral cross-examination.

Joseph P. Ripley
Joseph P. Ripley

Sworn to before me this
12th day of January, 1967.

Katherine H. W. Swift
Notary Public

KATHERINE H. W. SWIFT
Notary Public, State of New York
No. 31-9268000
Qualified in New York County
Commission Expires March 30, 1968

TWA Ex. 39, page -3-
(Affidavit of Joseph P. Ripley)

EXHIBIT A

IRVING S. WRIGHT, M.D.

ALLEN W. MEAD, M.D.

DONALD J. CAMERON, M.D.

450 EAST 69TH STREET, NEW YORK 21, N. Y.

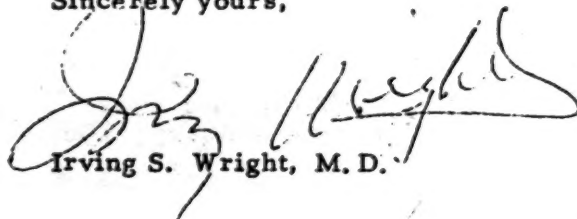
LEHIGH 5-5060

November 29, 1966

To Whom It May Concern:

This is to certify that Mr. Joseph P. Ripley has been under my medical care intermittently since 1952. During the past year and a half he has been under my care through a series of illnesses affecting his heart for which he has had to have the installation of a pacemaker in order to control the rhythm. He has also had episodes of cerebral ischemia. It is my opinion that it is hazardous for Mr. Ripley to be subjected to cross examination at this time or in the future.

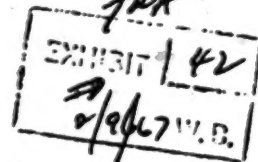
Sincerely yours,


Irving S. Wright, M.D.

ISW/jl

TWA Ex. 42, page -1-
(C.&C. Report-Revision of Pages 63, 64, 71 & 72)

Re: TWA v. Hughes



CHANGES IN IMPROVEMENT IN GAIN OR LOSS FROM OPERATIONS
FOR A CORRECTION OF CERTAIN NUMBERS OF CV 80 AIRCRAFT
THAT TWA ACTUALLY HAD IN 1961, WHICH CHANGES THE ANNUAL
AVERAGE NUMBER AVAILABLE FROM 14.6 TO 14.5 AIRCRAFT,
AND AFFECTS SLIGHTLY THE ESTIMATES OF CHAPTERS IV AND V

The pages from our Report, Volume I and IV, attached hereto have been marked to show calculation revisions in accordance with the above. The net change in the Improvement In Gain From Operations is as follows:

Chapter IV, 1960	\$+0.1 Million
Chapter V, 1961	+0.4 Million

February 7, 1967

REVENUE INCREASE

These changes in passenger-miles and TWA's actual yields would have given the following passenger revenue increase for receipt of CV 880 aircraft on contract delivery dates.

Year	Passenger-Miles			Yield (c)	Net Increase of Passenger Revenue (d)
	Additional CV 880 (a)	Reduced Piston (a)	Net Increase (b)		
	(Millions)				(Millions)
1960	709	291	418		23.6
1961	702	286	416	5.6454	\$23.5
1961	341	134	207	5.8824	\$12.2

- (a) From previous pages 54, 55 and 62.
 (b) Calculated.
 (c) As explained on previous page 30.
 (d) Calculated; $b \times c = d$.

Using the 5 percent additional revenue for various kinds of cargo including mail, express, freight and excess (weight) baggage as mentioned on page 31, we calculate additional revenue for these types of cargo for contract dates receipt of CV 880 aircraft as follows:

Year	Additional Passenger Revenue	Additional Revenue from Various Types of Cargo, at 5%	Additional System Revenue
	(Millions)		
1960	23.6		24.8
1961	\$23.5	\$1.2	\$24.7
1961	\$12.2	\$0.6	\$12.8

OPERATING EXPENSES

We estimated changes in Operating Expenses that would have been the result of TWA receiving its fleet of twenty CV 880 aircraft on the dates specified in the aircraft purchase contract, generally in accordance with the methods and considerations used for expense estimates of prior Chapters of this report. The details of these estimates are set forth in Exhibit H. The table below summarizes the estimates.

TWA Ex. 42, page -3-
(C.&C. Report-Revision of Pages 63, 64, 71 & 72)

Estimated Changes in Operating Expenses That Would Have
Occurred if TWA had Received its Fleet of Twenty CV 880
Aircraft on the Dates in the Purchase Contract

Operating Expense	1960	1961
	(Millions)	
Flying Operations	\$ +4.4	\$ +2.2
Maintenance	+3.5	+1.6
Aircraft Servicing	+1.1	+0.6
Passenger Service	+1.8	+0.9
Traffic Servicing	+1.4	+0.7
Servicing Administration	+0.1	+0.1
Promotion and Sales	+2.4	+1.3
General and Administrative	+0.6	+0.4
Depreciation and Amortization(A)	+5.4	+2.6
	\$+20.7	\$+10.4

(A) Furnished by Price Waterhouse & Co.

GAIN OR LOSS FROM OPERATIONS

We calculate the change in Gain or Loss from Operations that would have occurred if TWA had received the twenty CV 880 aircraft on the dates provided in the purchase contract, as follows:

Year	Additional Revenue(a)	Additional Expense(b)	Improvement In Gain or Loss from Operations(c)
	(Millions)		
1960	24.8 \$24.7	\$20.7	4.1 \$4.9
1961	\$12.8	\$10.4	\$2.4

- (a) From page 63.
(b) From above.
(c) By subtraction.

Year	Additional Passenger Revenue(a)	Additional Revenue from Various Types of Cargo, at 5%(b)	Total Additional Revenue(c)
(Millions)			
1960	\$12.9	\$0.6	\$13.5
1961	24.14	1.2	25.34
1962	21.5	1.1	22.6
1963	18.2	0.9	19.1

(a) From previous page.

(b) By calculation.

(c) By addition.

OPERATING EXPENSES

We estimated changes in Operating Expenses that would have occurred if TWA had received a fleet of thirty CV 880 aircraft rather than twenty aircraft generally in accordance with the method and considerations used for expense estimates of previous Chapters of this report. The details of our estimates are set forth in Exhibit J. The table below summarizes these estimates.

Estimated Changes in Operating Expenses That Would Have Occurred if TWA had Received Thirty CV 880 Aircraft				
Operating Expense	1960	1961	1962	1963
(Millions)				
Flying Operations	\$ +2.2	\$ +4.21	\$ +4.2	\$ +3.1
Maintenance	+1.8	+3.64	+3.9	-
Aircraft Servicing	+0.6	+1.2	+1.3	+1.1
Passenger Service	+1.0	+1.9	+1.6	+1.4
Traffic Servicing	+0.8	+1.5	+1.5	+1.3
Servicing Administration	+0.1	+0.1	+0.1	+0.1
Promotion and Sales	+1.3	+2.6	+2.4	+2.2
General and Administrative	+0.3	+0.8	+0.6	+0.5
Depreciation and Amortization(A)	+2.7	+5.7	+5.4	+4.4
	\$+10.8	\$+21.63	\$+21.0	\$+14.1

(A) Furnished by Price Waterhouse & Co.

TWA Ex. 42, page -5-
(C.&C. Report-Revision of Pages 63, 64, 71 & 72)

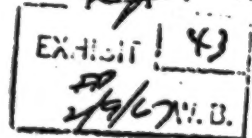
- 72 -

GAIN OR LOSS FROM OPERATIONS

We calculate the change in Gain or Loss from Operations that would have been the result of TWA receiving thirty rather than twenty CV 880 aircraft as follows:

Year	Additional Revenue(a)	Additional Expense(b)	Improvement In Gain or Loss from Operations(c)
	(M i l l i o n s)		
1960	\$13.5	\$10.8	\$2.7
1961	25.5 25.6	21.6 3	3.9 4.2 3
1962	22.6	21.0	1.6
1963	19.1	14.1	5.0

- (a) From table at top of page 71.
- (b) From table at bottom of page 71.
- (c) By subtraction.



Re: TWA v. Hughes

CHANGES IN IMPROVEMENT IN GAIN OR LOSS FROM OPERATIONS
FOR A REDUCTION OF TWO PLANE MONTHS IN THE NUMBER OF
B-131 AIRCRAFT THAT WOULD HAVE BEEN AVAILABLE FOR
COMMERCIAL SERVICE IN 1959 WITH EARLIER RECEIPT
OF FIFTEEN B-131 AIRCRAFT, CHAPTER III

The pages from our Report, Volumes I and IV, attached hereto have been marked to show calculation revisions in accordance with the above. The net change in the Improvement In Gain From Operations is as follows:

Chapter III, 1959	\$-0.5 Million
-------------------	----------------

February 7, 1967

Year	Additional Revenue(a)	Additional Expense(b)	Improvement In Gain or Loss from Operations(c)
	(M i l l i o n s)		
1959	10.8 \$11.6	4.4 \$4.4	6.4 \$0.9
1960	7.6	4.4	3.2

- (a) From page 49.
(b) From page 50.
(c) By subtraction.

(Jet and Turboprop Aircraft of TWA and Principle Competitors, 1958-66)

Re: TWA v. Hughes

JET AND TURBOPROP AIRCRAFT ON HAND FOR TWA

AND PRINCIPAL COMPETITORS, 1958-1966

Date	United Air Lines(A)			American Airlines(A)			Trans World Airlines(B)			Pan American Airways(A)			BOAC(C)		Air France(C)	
	Jets	Turboprops		Jets	Turboprops		Jets	Turboprops		Jets	Turboprops		Jets	Turboprops	Jets	Turboprops
June 30, 1958	-	-		0	0		-	-		-	-		N.A.	N.A.	N.A.	N.A.
Dec. 31, 1958	-	-		0	0		-	-		6	-		8	32	0	0
June 30, 1959	2	-		16	17		11	-		6	-		N.A.	N.A.	N.A.	N.A.
Dec. 31, 1959	17	-		25	25		19	-		21	-		19	32	3	3
June 30, 1960	34	-		35	35		26	-		38	-		N.A.	N.A.	N.A.	N.A.
Dec. 31, 1960	46	-		35	35		28	-		47	-		34	31	17	17
June 30, 1961	61	41		49	35		43	-		50	-		N.A.	N.A.	N.A.	N.A.
Dec. 31, 1961	76	47		51	35		51	-		50	-		35	29	16	16
June 30, 1962	87	47		65	35		59	-		55	-		N.A.	N.A.	N.A.	N.A.
Dec. 31, 1962	87	47		66	35		67	-		62	-		39	17	19	19
June 30, 1963	87	47		71	35		70	-		64	-		N.A.	N.A.	N.A.	N.A.
Dec. 31, 1963	91	47		73	35		76	-		64	-		38	12	22	22
June 30, 1964	107	47		84	35		84	-		79	-		N.A.	N.A.	N.A.	N.A.
Dec. 31, 1964	115	47		91	35		102	-		83	-		52	3	24	24
June 30, 1965	129	47		104	35		111	-		94	-		N.A.	N.A.	N.A.	N.A.
Dec. 31, 1965	149	47		112	35		115	-		98	-		41	0	24	24
June 30, 1966	174	47		140	35		N.A.	-		119	-		N.A.	N.A.	N.A.	N.A.

N.A. = Not Available.

Sources:

(A) CAB Form 41, Schedule B-7.

(B) Volume I, C&C Report on TWA, dated May 2, 1966 and Schedule B-43,

CAB Form 41 for December 31, 1965.

(C) International Civil Aviation Organization (ICAO) Fleet-Personnel

FP Nos. Digest of Statistics.

(D) Air France statistics are only for long-range jet aircraft and do not include the Air France fleet of Caravelle aircraft.

(Boeing Aircraft Employed on Routes Formerly Served by B-720Bs)

Types of Aircraft Used by TWA in March 1962 for Daily Westbound ServiceFor the Pairs of Cities Listed on Page 68 But Are Not Listed on Page 58OF THE C&C REPORT DATED MAY 2, 1966

Pairs of Cities	Miles Between Cities	E-131		R-331		B-720		Total Jet	
		Flight Segments	Plane- Miles	Flight Segments	Plane- Miles	Flight Segments	Plane- Miles	Flight Segments	Plane- Miles
Los Angeles-Oakland	339								
Albuquerque-Las Vegas	487								
Philadelphia-Pittsburgh	267								
New York-Dayton	553			1	553			1	553
New York-Denver	1,638								
Boston-Pittsburgh	495								
Columbus-Chicago	297								
Chicago-Oakland	1,835								
Detroit-St. Louis	433	2	866					2	866
St. Louis-Los Angeles	1,591	3	4,773					3	4,773
Indianapolis-St. Louis	230								
New York-Cleveland	424								
Cleveland-Indianapolis	261								

Source:

The flight segments are from the Official Airline Guide, March 1962.

The intercity mileages are from TWA Schedule 3-14P showing official

CAB non-stop mileage between airports.

The other numbers listed above were calculated as indicated.

February 7, 1967

Coverdale & Colpitts
Consulting Engineers
120 Wall St., New York

TRANS WORLD AIRLINES, INC.CONDENSED SUMMARY OF EFFECT OF APPLICATION
OF ASSUMPTIONS

(Amounts in millions)

Source in
PW & Co.
ReportVol. Vol.
I II

	D-1	Increase in gain from operations before depreciation, etc.	
		Per Coverdale & Colpitts	\$122.4
		Add back -	
	J	(1) Portion of increase in maintenance expense attributable to increased overhaul provisions-all reversed at 12/31/63	5.8
II A		(2) Portion of increase in maintenance expense attributable to expensing of expendable parts in the "pipeline"	<u>.9</u>
		Increase in provisions for depreciation and obsolescence due to different timing and size of fleets and cost thereof:	
IV		Total	(51.8)
II A		(1) To eliminate increased depreciation of capitalized interest - all reversed at 12/31/63	2.9
II A		(2) Additional obsolescence provision relating to expendable parts in the "pipeline" - set up at 12/31/63	<u>(.2)</u>
		Increase in provision for amortization of training and integration costs:	
IV		Total	(3.7)
	J	Eliminate portion thereof attributable to increased overhaul provisions - all reversed at 12/31/63	<u>.3</u>

Increase in proceeds relating to earlier sale of 103 piston aircraft:

Pg 76 pp.85&88	Per Speas	6.9
	Less increase in "bad debts"	<u>(1.2)</u>

Increase in gain on other property retirements

B-1

& C Increase in gross interest cost

A Redemption premium on 3-3/4% bonds, less \$.3 interest savings

TWA Ex. 72, page 2
(TWA Annual Report-1939)

TRANS-CONTINENTAL & WESTERN AIR, INC.

REPORT OF THE PRESIDENT

Kansas City, Mo.
February 23, 1940.

To the Stockholders:

This report on the affairs of TWA covers its operations for 1939 and other matters of current interest to Stockholders.

FINANCIAL REVIEW

The balance sheet as of December 31, 1939, together with other financial statements for the year ended that date and the report of our independent public accountants, are included in this report following this letter.

OPERATING RESULTS

Operations during 1939 resulted in a loss of \$188,827.03 as compared with a loss of \$749,355.31 in 1938. The loss here stated for 1938 is less by \$23,907.72 than the figure shown in last year's report principally because of retroactive mail pay adjustments.

PASSENGER REVENUES

Passenger revenues, including excess baggage charges, were \$5,195,789.12 in 1939, an increase of 39% over the preceding year, and amounted to 66% of total revenue as compared with 60% in 1938. This increase in revenues is the result of:

- growing appreciation by the traveling public of the fact that IT PAYS TO FLY and of the fact that air travel offers superior service
- improved service particularly in an increased number of schedules. TWA flew 12,097,962 revenue plane miles in 1939 as compared with 9,872,865 miles in 1938
- considerably improved reliability of service, aided by favorable weather conditions in 1939
- greater public confidence in the use of air travel brought about by the splendid safety record of TWA and of the entire air transport industry and fostered by the sound policies of the Post Office Department and the Civil Aeronautics Authority.

Many of the factors which produced this increase are still operating and we look forward to a substantial increase in passenger revenues in 1940, which increase will further be augmented by four engined airplanes, which we expect to place in scheduled service early this summer.

MAIL REVENUES

Mail revenues were \$2,403,724.77 in 1939, an increase of 8% over the preceding year, and amounted to 30% of our total revenues in 1939. In December, 1939, in accordance with

TRANSCONTINENTAL & WESTERN AIR, INC.

authorization by the Post Office Department and certificates granted by the Civil Aeronautics Authority, TWA began the carriage of mail over what is known as Route 44, between:

Chicago and New York
Chicago and Pittsburgh
Chicago and Kansas City

TWA has carried on a passenger and express service over this route for many years but, until December, was not authorized to transport mail. No rate has yet been set for mail compensation on this route but a hearing by the Civil Aeronautics Authority on this matter is to commence on February 29, 1940. We have as yet accrued no revenues on our books because of the carriage of mail over Route 44.

At year end, we had applications pending before the Civil Aeronautics Authority asking for an equitable adjustment of mail revenues on all routes. The anticipated establishment of proper mail rates and the fact that now TWA is for the first time authorized to carry mail over all of its present routes, together point toward more satisfactory financial results in the future.

EXPRESS REVENUES

Revenue from the carriage of air express amounted to \$222,647.49 in 1939, an increase of \$62,810.23 or 39% over 1938. It is expected that this business will continue to grow.

EXPENSES

Total expenses, including provision for taxes, in 1939 amounted to \$8,003,125.34, an increase of 16.3% over the previous year. However, revenue miles flown increased 22.5% over the same period. As a result of these two factors, expenses expressed in terms of per revenue mile decreased from 69.7c per mile in 1938 to 66.2c per mile in 1939.

The principal factors which caused the increase in expenses are:

- (1) Gasoline and oil expense increased \$162,255.04, which was caused by the increased miles flown.
- (2) Pay of flight personnel increased \$187,530.27 because of new wage agreements and an increased number of personnel necessary to fly the increased miles.
- (3) Salaries and wages other than flight personnel increased \$354,673.83. This increase was caused by new wage agreements and the larger number of employees required to handle the greater volume of business.
- (4) Passenger Supplies and Expenses increased \$61,620.56 because of the increased number of passengers carried.
- (5) Advertising and publicity expense increased \$131,426.02, resulting principally from our participation in two world's fairs, the necessary publicity in connection with new schedules and competitive conditions. It is gratifying to note that our advertising program has contributed to a substantial increase in revenues and to an improvement in our competitive position in the industry.

TRANSCONTINENTAL & WESTERN AIR, INC.

- (6) Insurance costs of flying operations increased \$88,039.63. Part of this increase was caused by the increased number of miles flown and the increased number of passengers carried. The principal increase, however, was occasioned by the increase in our own self-insurance reserve for damage to aircraft in flight. At the end of 1938 this reserve amounted to \$22,270.95. At the end of 1939, this reserve amounted to \$130,000.00, an increase of \$107,729.05, which sum was charged as an expense in our books in 1939. This increase was partially offset by a savings of \$38,359.37 in premiums paid for aircraft hull insurance.

WORKING CAPITAL

Current assets at the end of 1939 amounted to \$2,553,835.12 as compared with total current liabilities of \$1,006,336.66 leaving a net working capital of \$1,547,498.46.

OPERATIONS

MARQUETTE

In October, 1939, TWA entered into a contract for the purchase of Marquette Airlines. The consummation of this contract is dependent upon the approval of the Civil Aeronautics Authority, whose decision is expected early this year. This purchase will add an operation between St. Louis, Cincinnati, Dayton, Toledo and Detroit to the present coast-to-coast system of TWA. It is planned to synchronize schedules so that air travelers in Detroit, Toledo and Cincinnati can make easy and quick connections with other TWA schedules.

LA GUARDIA FIELD

In December, 1939, our transcontinental route was extended from Newark to La Guardia Field, New York Municipal Airport. La Guardia Field affords the most modern of airport facilities and the added advantages of more rapid ground transportation from the center of New York City, together with added convenience to travelers living in Long Island and Westchester County.

NEW YORK AIR TERMINAL

A consolidated ticket office and air terminal, to be occupied by all the airlines operating out of New York, is under construction in New York City and will be ready for occupancy in 1940. This terminal is located on 42nd Street in the heart of the Grand Central area. The improved service and facilities provided by this terminal should contribute to the popularity of air travel in New York City.

ALBUQUERQUE AIRPORT

TWA began operations from a new airport at Albuquerque, New Mexico, in the fall of 1939. This airport is operated by the New Mexico Airport Corporation, a wholly owned subsidiary. The financial and operating figures for this subsidiary company have been consolidated with those of TWA in the financial statements included with this report. In connection with the development and improvement of that airport, TWA expended \$125,508.38 as advance payment, which will cover the rental over a 15-year period beginning when the airport is

TRANSCONTINENTAL & WESTERN AIR, INC.

entirely completed. The Albuquerque Airport is one of the finest of its kind and is important to our western operations. The improved safety of operations, the attractiveness and sales value of an airport of this character and the revenues derived from the sale of gasoline and other services to other airlines and agencies using this field should make this investment profitable.

NEW ROUTES

The routes flown by TWA have many advantages both geographical and meteorological. In many respects, however, the economic characteristics of our routes are not similarly advantageous. The western portion of our route between Wichita and Los Angeles is sparsely populated. While our western route serves both Los Angeles and San Francisco, we cannot provide direct air transportation between those two points at the present time. In the eastern portion of our route, the majority of our business is highly competitive. Furthermore, a considerable number of the feeder routes are operated by competitors. To illustrate, travelers departing from Boston must travel over a competitive line to connect with TWA and little opportunity exists for our obtaining transcontinental business from feeder lines operated by a transcontinental competitor.

In addition, because of the geographical location of our route, the feeder lines in the majority of instances find that they can obtain a longer haul by routing passengers over competitive lines rather than over TWA.

To correct difficulties of this type and to round out our route structure, TWA has filed applications for route certificates with the Civil Aeronautics Authority to permit us to operate over new routes, which would give us direct access into many of the larger traffic centers. It is our intention to prosecute these applications vigorously and our hope that the Civil Aeronautics Authority will grant us the desired remedies in our route structure and thus tend to place us in a position of equality with our transcontinental competitors.

SAFETY

TWA carried 163,456 revenue passengers for a total of over 100,175,000 passenger miles with a perfect safety record in 1939. This excellent record, coupled with the splendid showing of the entire industry, has resulted in increasing public confidence and patronage.

NEW EQUIPMENT

Early in 1939, TWA purchased three additional Sky-Clubs (Douglas DC-3). This purchase was financed by loans from banks which were paid off before the end of the year.

In the fall of 1939, we revised our contract with the Boeing Airplane Company to cover the purchase of five new Boeing S-307B airplanes. These airplanes are equipped with four engines and are similar to the United States Army's "Flying Fortress", with improvements to assure better adaptability for passenger service. We expect delivery of these Boeing airplanes in the first half of 1940 and their scheduled operations by early summer. TWA was the first airline to operate Douglas transport planes and will be the first to operate modern four-engined equipment in the United States.

TRANSCONTINENTAL & WESTERN AIR, INC.

The Boeing airplanes will accommodate 33 passengers by day and 25 by night. We anticipate that the cost per seat mile of operating these airplanes will be approximately the same as our present equipment. The cost per plane mile will be increased in proportion to the capacity of the airplane. From the viewpoint of passenger service and comfort, the Boeings will be larger, more comfortable and faster. They will operate in smooth air at "over-weather" altitudes. The cabins will be super-charged to maintain low-level comforts at the higher altitudes. The safety characteristics of the Boeing Stratoliners will be a real advance in air transportation. The added security of four engined performance and increased range and the ability to fly at a high altitude above any terrain are characteristics which should re-establish TWA's leadership insofar as equipment is concerned.

The general terms of a program to provide the required funds for the purchase of the Boeing Stratoliners and other capital expenditures have been tentatively arranged. We expect to be able to announce the terms of this arrangement at an early date and to the Stockholders at their annual meeting on March 21, 1940, if, as is expected, the details of this program are concluded by then.

TWA INCENTIVE PLAN

The Stockholders at their annual meeting will be asked to approve an incentive plan, which has been proposed by the Board of Directors, whereby a portion of annual earnings, after 50c a share on the common stock has been earned, will be made available as a bonus to officers of the company. This plan, which is described in the proxy and proxy statements for the annual meeting, was initiated and was recommended to the Stockholders by those Directors who are not participants in the plan, for the purpose of attracting and retaining the high degree of executive skill and competence required by this business. The capital invested and the earnings record of the air transport industry have not made possible the payment of salaries commensurate with the responsibilities involved. Other major industries and other airlines have attempted to meet this problem by various bonus and stock option plans. This plan is recommended by Directors who are not officers as being the plan best suited to the interests of the Stockholders of TWA.

ORGANIZATION CHANGES

In 1939, the number of Directors was reduced from 19 to 12, by amendment of the By-Laws. Members of the present Board who were not Directors at this time last year are Mr. Powell Crosley, Jr., President of The Crosley Corporation, Cincinnati, Ohio, and Mr. E. Lee Talman, Vice President and Treasurer of TWA. Mr. V. P. Conroy has been elected Vice President in Charge of Traffic and Sales, and Mr. J. C. Franklin Secretary, of TWA.

ANNUAL MEETING OF STOCKHOLDERS

The annual meeting of Stockholders will be held at 100 West 10th Street, Wilmington, Delaware at 12 o'clock Noon, on Thursday, March 21, 1940. Notice of this meeting, the required proxy statement and the proxy therefor are being mailed to Stockholders of record as of the close of business, February 15, 1940.

TRANSCONTINENTAL & WESTERN AIR, INC.

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Western Air, Inc. and Subsidiary

(Incorporated in Delaware)

E STATEMENT, DECEMBER 31, 1939

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:

Trade	\$ 425,937.13
Traffic	45,927.91
Sundry	4,523.97
Deposits received under air travel plans.....	382,075.00

Accrued accounts:

Salaries and wages.....	47,931.70
Liability insurance	32,641.61
Taxes (other than income).....	62,108.46
Expenses	5,190.88

Total current liabilities.....

COLLECTIONS UNDER EMPLOYEES' STOCK PURCHASE PLAN—CONTRA.....

RESERVE FOR AIRCRAFT INSURANCE—CONTRA.....

DEFERRED CREDITS:

Unearned transportation	\$ 77,129.15
Other	750.00

Total deferred credits.....

CAPITAL STOCK AND SURPLUS:

Capital stock—authorized 1,000,000 shares, par value \$5.00 per share; (50,000 shares reserved for employees, of which 39,820 shares are now subject to option to employees)—outstanding 830,846 shares.....	\$4,154,230.00
Capital surplus—paid in	2,684,562.23

Total	\$6,838,792.23
Less deficit	1,494,181.59

Net capital stock and surplus.....

TOTAL

- (3) The Company has a contractual liability at December 31, 1939 in the amount of \$385,000 in connection with purchase of Marquette Airlines, Inc., application for approval of which is pending before the Civil Aeronautics Authority.
- (4) The amounts shown in the above statement include, as to New Mexico Airport Corporation, a wholly owned subsidiary, total assets of \$18,644.06 and liabilities of \$8,681.59.

Transcontinental and Western Air, Inc. and Subsidiary

STATEMENT OF CONSOLIDATED LOSS

FOR THE YEAR ENDED DECEMBER 31, 1939

OPERATING REVENUES:

Mail		\$2,403,724.77
Transportation:		
Passenger	\$5,143,966.97	
Excess baggage	51,822.15	
Express and freight	222,647.49	
Special flights	38,428.44	
Total transportation		5,456,865.05
Other-net		46,334.01
Total operating revenue		\$7,906,923.83

OPERATING EXPENSES:

Direct flying (including maintenance \$872,597.52)	\$3,513,283.77	
Indirect flying (including maintenance \$383,700.38)	1,738,903.34	
Depreciation	935,651.16	
Traffic and advertising	1,179,396.41	
General and administrative	496,239.93	
Total operating expenses		7,863,474.61

PROFIT FROM OPERATIONS BEFORE TAXES ASSIGNABLE TO OPERATIONS..... \$ 43,449.22

TAXES ASSIGNABLE TO OPERATIONS (other than Federal income)..... 139,650.73

LOSS FROM OPERATIONS..... \$ 96,201.51

OTHER INCOME CHARGES:

Amortization of airway lighting and communication equipment sold to United States Government and improvements to leased property abandoned.....	\$ 26,167.39	
Interest	12,098.91	
Proportionate share (one-half) of estimated loss of Pittsburgh-Butler Airport, Inc., for the year 1939.....	6,000.00	
Provision for loss on deposit made in connection with purchase of airline....	15,000.00	
Net loss on property, plant, and equipment sold or otherwise disposed of....	42,589.31	
Miscellaneous	488.88	
Total other income charges		102,344.49

GROSS LOSS..... \$ 198,546.00

DEDUCT INCOME CREDITS:

Cash discounts on purchases	\$ 7,441.33	
Interest	1,348.40	
Profit on sale of materials and supplies	527.69	
Miscellaneous	401.55	
Total income credits		9,718.97

NET LOSS FOR THE YEAR..... \$ 188,827.03

TRANSCONTINENTAL & WESTERN AIR, INC**REPORT OF THE PRESIDENT****To the Stockholders:**

This report describes the operations of TWA in 1940 and other matters of current interest to the Stockholders.

FINANCIAL REVIEW

Financial statements and the certificate of the Company's auditors, Haskins & Sells, are included in this report.

OPERATING RESULTS

A loss of \$232,454.89 was incurred in 1940. Our Annual Report for 1939, issued in February, 1940, showed a loss of \$188,827.03. However, in September of 1940, additional mail revenue was awarded TWA, a substantial part of which was applicable to 1939 and the remainder to 1940. When the results of 1939 are adjusted to reflect that award, that year shows a profit of \$107,133.28.

Throughout this report, that additional revenue in both years and the provision for federal income taxes thereon are taken into account in the period in which the revenue was earned.

OPERATING REVENUES

Operating revenues for 1940 as compared with those of 1939 were:

	Amount		Increase 1940 over 1939		Percent of Total	
	1940	1939	Amount	Percent	1940	1939
Passenger Revenue (including excess baggage)	\$ 7,979,294.99	\$5,195,789.12	\$2,783,505.87	53.6%	68.9%	62.5%
Mail Revenue	3,158,491.81	2,805,064.07	353,427.74	12.6%	27.3%	33.8%
Express Revenue	299,751.93	222,647.49	77,104.44	34.6%	2.6%	2.7%
Special Flights and Other Revenue....	134,682.34	84,762.45	49,919.89	78.9%	1.2%	1.0%
TOTAL	\$11,572,221.07	\$8,308,263.13	\$3,263,957.94	39.3%	100.0%	100.0%

PASSENGER REVENUES

TWA established a new record in the volume of its passenger business:

	1940	1939	Increase	
			Amount	Percent
Revenue Passengers (Scheduled Service)	256,086	162,779	93,307	57.3%
Revenue Passenger Miles (Scheduled Service)	155,096,235	99,651,484	55,444,751	55.6%
Load Factor	57.7%	49.7%	8.0%	—

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TRANSCONTINENTAL & WESTERN AIR, INC.

EXPENSES

Operating Expenses in 1940 as compared with those in 1939 were:

Operating Expenses in 1940 as compared with those in 1939 were:			Increase 1940 Over 1939	
	1940	1939	Amount	Percent
<u>FLYING COSTS (Excluding Depreciation)</u>				
Direct Flying Operations.....	\$ 4,031,283.94	\$2,640,686.25	\$1,390,597.69	52.7%
Direct Flying Maintenance.....	1,189,356.67	872,597.52	316,759.15	36.3%
Total	\$ 5,220,640.61	\$3,513,283.77	\$1,707,356.84	48.6%
Indirect Flying Operations.....	\$ 1,977,582.83	\$1,355,202.96	\$ 622,379.87	45.9%
Indirect Flying Maintenance.....	540,255.59	383,700.38	156,555.21	40.8%
Total	\$ 2,517,838.42	\$1,738,903.34	\$ 778,935.08	44.8%
<u>TOTAL FLYING COSTS.....</u>	<u>\$ 7,738,479.03</u>	<u>\$5,252,187.11</u>	<u>\$2,486,291.92</u>	<u>47.3%</u>
<u>DEPRECIATION</u>	<u>\$ 1,115,458.00</u>	<u>\$ 935,651.16</u>	<u>\$ 179,806.84</u>	<u>19.2%</u>
<u>TRAFFIC AND ADVERTISING.....</u>	<u>1,806,153.58</u>	<u>1,179,396.41</u>	<u>626,757.17</u>	<u>53.1%</u>
<u>GENERAL AND ADMINISTRATIVE.....</u>	<u>849,524.81</u>	<u>496,239.93</u>	<u>353,284.88</u>	<u>71.2%</u>
<u>TOTAL OPERATING EXPENSES.....</u>	<u>\$11,509,615.42</u>	<u>\$7,863,474.61</u>	<u>\$3,646,140.81</u>	<u>46.4%</u>

The principal reason for the increase in expense was the fact that 1940 was a year of expansion and improvement for TWA.

The most important equipment development in the air transport industry was the introduction of the Stratoliners by TWA. Before beginning service with the Stratoliners, a great amount of preparatory expense was necessary. Flight, maintenance, and ground crews had to be trained. New operating, meteorological, maintenance, and reservation procedures had to be developed. Non-revenue plane miles increased by 380,934 miles, or 111%, in 1940 over 1939, principally as a result of this work.

Another reason for the increase in expense was our operation under lease of the Marquette route between St. Louis and Detroit via Cincinnati, Dayton and Toledo. The present status of the proceedings for the purchase of that route is separately described in this report. However, it is appropriate to note here: first, that we have charged to expense \$36,666.66 in 1940 to provide a reserve for possible loss on advances made on the purchase of this route in the event the purchase is not finally completed; secondly, that the beginning of operations of this route, which is not yet authorized to transport mail, was naturally unprofitable. Operating losses directly chargeable to this route in 1940 were \$72,636.35. If our negotiations for the purchase of this company are favorably concluded, we believe that its cost and these losses, necessary during the introductory period, will be amply justified by the earnings of the route and by its importance as a feeder to our transcontinental system.

The improved standard of passenger service in 1940 increased expenses, principally, because of improved food service and added service features, both aloft and on the ground. Additional radio, telegraph, and telephone communications, necessary to handle passenger reservations properly, also added to expenses.

A large increase in expenses, reflected principally in general and administrative expenses, resulted from the preparation and conduct of hearings before the Civil Aeronautics Board, primarily in connection with route matters.

Advertising and publicity expenses also increased \$237,892.74 in 1940, reaching a total of \$827,043.70. Part of this increase was incurred in connection with the introduction of the Stratoliners. Principally, it was spent to improve TWA's position—not only nationally but in the vital

TRANSCONTINENTAL & WESTERN AIR, INC.

New York-Chicago market. Before the passage of the Civil Aeronautics Act, TWA was under a definite handicap because of a legal restriction on the number of schedules it could operate between New York and Chicago. As a result our competitors between those points gained a dominant position. Dominance in the New York-Chicago market is an important influence in the relative standing of carriers on transcontinental and other competitive routes. The considerable sum we have spent in advertising and improving our passenger service has substantially strengthened our position during 1940 and should continue to do so.

FEDERAL INCOME TAXES

Certain items charged as expense on our books are not deductible for tax purposes. One principal item is the amount charged by the Company, \$174,747.03 net in 1940, for self-insurance to cover damage to aircraft in flight. The disallowance of this and other expense items in determining net taxable income and the adjustment of our mail revenues have resulted in our having taxable income in both 1939 and 1940. We have estimated our Federal and State Income Tax liability at \$16,641.33 for 1940 and at \$96,618.00 for 1939, a total of \$113,259.33.

FINANCIAL POSITION

Working capital position at the close of 1940 is shown in the following tabulation: -----

Current Assets	\$3,916,454.15
Current Liabilities	2,697,951.89
Net Working Capital.....	\$1,218,502.26

Inventory of materials and supplies increased by \$522,177.01, from \$365,535.15 at the end of 1939 to \$887,712.16 at the end of 1940. The chief reasons for this increase were:

- Plane and engine parts for the Stratoliners.
- Protective buying against price increases and against delays in securing replacement parts.
- Engine mounts purchased in connection with new type engines for the DC-3 fleet.

Effective November 1, 1940, TWA entered into an agreement with a group of seven banks for a four-year unsecured revolving credit to provide for the purchase of new equipment and for other capital expenditures and corporate purposes.

The banks agreed, upon the terms, conditions and limitations set forth in the agreement, to extend a revolving credit to TWA in the following amounts and for the following periods:

Beginning	Ending	Amount
November 1, 1940	December 31, 1941.....	\$2,500,000
January 1, 1942	December 31, 1942.....	2,250,000
January 1, 1943	December 31, 1943.....	1,750,000
January 1, 1944	December 31, 1944.....	1,000,000

TWA is permitted to borrow varying amounts within these limits, as its actual money requirements develop. All notes issued under this agreement shall bear interest at the rate of 2 3/4% per annum.

The participating banks are:

The Commercial National Bank and Trust Company of New York,
The New York Trust Company, New York,
The First National Bank of Kansas City,
Commerce Trust Company, Kansas City,
Harris Trust and Savings Bank, Chicago,
National Bank of Commerce, Houston,
The Farmers and Merchants National Bank of Los Angeles.

TRANSCONTINENTAL & WESTERN AIR, INC.

CAPITAL STOCK

Early in 1940, the Company sold at \$14.00 a share 119,154 shares of its unissued capital stock to the Hughes Tool Company of Houston, Texas. Following this sale, TWA had outstanding 950,000 shares of capital stock. Of the total 1,000,000 shares authorized by the Certificate of Incorporation, 50,000 shares remain unissued but are reserved under option for sale to employees under the Employees' Stock Purchase Plan. During the year, the capital stock of the Company was listed on both the Los Angeles and San Francisco Stock Exchanges.

OPERATIONS

OPERATING STANDARDS AND PERFORMANCE FACTOR

In the fall of 1940, TWA established new operating standards by which our requirements as to minimum flying weather were increased on a system-wide basis. Now, higher ceilings, greater visibility, and better en route weather are required by TWA than ever before since the development of instrument flying. We feel that this conservative policy will build enduring public confidence.

In 1940, we operated only 93.6% of our scheduled miles as compared to 96.7% in 1939. A part of this reduction in the performance factor is the result of higher operating standards and a substantial part is the result of unusually poor flying conditions in November and December of 1940. In this connection it is important to remember that our expenses are related to miles scheduled, not merely to miles operated. Hence, a reduction of 3.1 points in our performance factor not only adversely affected revenues for the year, but brought about an increase in expense because of the cost of providing ground transportation and related service for passengers whose flights had been delayed or cancelled.

EQUIPMENT CONTRACTS

TWA in the late spring of 1940 entered into a contract with Douglas Aircraft Company for the purchase of 15 DC-3 airplanes. These new DC-3's are of an improved type in that they accommodate 24 passengers and are powered with 1200 horse power engines, whereas DC-3 equipment formerly accommodated only 21 passengers and was powered with 1100 horse power engines. We were originally promised delivery of 9 of these planes in 1940 and 6 in 1941. TWA received delivery in 1940 of 2 of these planes before the Primitives Board placed restrictions upon the delivery of equipment to all commercial airlines for national defense reasons. We have received releases to date on only 7 of the remaining 13 undelivered planes. At the end of January, 1941, 2 of the 7 planes released by the Board had been delivered, making a total delivery of 4 of the new DC-3's of the original order of 15. We are hopeful that delivery of the remaining 5 planes of those allotted to us by the Board will be made within the next few months and that, before the year is out, we may be able to secure delivery of all the planes ordered.

In August, 1940, TWA entered into an agreement with the Wright Aeronautical Corporation to purchase 111 aircraft engines (1200 horse power), trading-in to Wright, against the total purchase price thereof, the 66 engines (1100 horse power) then used on our DC-3 aircraft. Of the 111 new engines, 45 were to be used for the 15 new DC-3 planes described in the preceding paragraph and 66 were for replacement purposes. The conversion program of the 66 engines should be completed in the first half of 1941. Delivery of the engines for new aircraft is expected at the same time that we receive the planes.

TRANSCONTINENTAL & WESTERN AIR, INC.

These new engines will produce greater safety through improved single-engine performance of the airplanes and will bring about improved reliability of service, lower maintenance cost, and fuel economy. The installation of these new engines, which cost \$10,050.00 each, also requires new engine mounts. Sums due the manufacturers of these engines and engine mounts were the principal reason for the increase in the accounts payable of the company at the end of the year.

At the close of 1940, TWA had contracted to sell for \$37,500.00 each, certain of the 14-passenger DC-2 aircraft of which 13 were then operated. To date, 2 of these planes have been sold and delivered and the delivery of 2 additional planes is expected soon. Additional DC-2's may be sold providing we can secure the necessary 24-passenger DC-3's for replacement.

AIRPORTS

Important changes occurred in 1940 with respect to certain airports in the cities served by TWA.

All scheduled operations by commercial airlines into Newark, New Jersey, were halted on May 30, 1940, in accordance with an order of the Civil Aeronautics Authority, pending certain repairs and improvements. It is expected that this airport will be reopened in the near future.

At Los Angeles, definite plans are being developed for the transfer of the terminal of all air carriers from Burbank to the new municipal airport. The new municipal airport as planned will be comparable in its facilities to the finest airports in the country.

At Albuquerque, there is being established a major air base of the United States Army Air Corps at the airport which was developed jointly by TWA, federal agencies, and the City of Albuquerque. Similarly, the landing field presently used at Winslow has been found suitable for development in connection with the national defense. TWA and the City of Winslow are cooperating fully with the federal authorities in the development of this project, which should ultimately lead to enlargement and improvement of the airport.

NEW YORK AIRLINES TERMINAL

In January, 1941, the New York Airlines Terminal opened. This modern six-story building located on 42nd Street was constructed at an approximate cost of \$5,000,000 by the Mutual Life Insurance Company of New York. This building is leased to the Airlines Terminal Corporation, which is a company jointly owned by TWA and other airlines serving New York City. The location, appearance and facilities of this terminal should increase our New York business. On the main floor, completely encircling the room, are the ticket offices of TWA and other airlines. The upper floors are devoted to reservation and traffic offices. Our regional office has been moved to this new location. We urge that you take the first opportunity of visiting the New York Airlines Terminal.

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INTERVENTIONS

Not only is it necessary to secure additional routes for TWA but it is equally necessary to prevent the encroachment of other air carriers into the territory properly served by TWA. Interventions in public hearings on new route applications of other air carriers before the Civil Aeronautics Board have been and will be made in those cases where our routes would be adversely affected.

NEW ROUTE APPLICATIONS

Hearings before the Civil Aeronautics Board have been held with respect to our applications for the following routes:

- Kansas City to Denver via Topeka and Salina.
- Amarillo to Houston and Dallas.
- Additional stops on Route 2 at Reading and Atlantic City.

No decisions have as yet been rendered with respect to these applications.

Among the more important route applications by TWA for which hearings have not yet been held are:

- New York to Boston, via New Haven and Worcester.
- Pittsburgh to Boston via Williamsport, Binghamton, Albany and Springfield.
- Dayton to Washington.
- St. Louis to Washington via Evansville and Louisville.
- Los Angeles to San Francisco.
- Detroit to Washington via Toledo, Columbus and Wheeling.
- Detroit to Indianapolis via Toledo and Ft. Wayne.
- Winslow to Los Angeles via Phoenix, El Centro and San Diego.

ORGANIZATION

EMPLOYEES

The Company has grown from 1,553 employees at the end of 1939 to 2,806 employees at the end of 1940, an increase of 1,253, which means that at least 45% of our employees have been employed less than one year. This total increase was divided by departments as follows: 130 were added to the General Administrative, Financial and Accounting Staff; 200 in the Traffic Department; 233 as Flying Personnel; and 690 in ground Operations and Maintenance.

The task of training these additional employees and making their services most effective to TWA has been a gigantic one and is not yet concluded.

TWA has entered into salary and wage agreements with the following: Air Line Pilots Association, Skyline Association of Radio Operators, Airline Mechanics Association, and the Office Personnel Association. Negotiations relative to the basis of compensation of pilots flying 4-engine equipment are presently being conducted. The management is cognizant of the right of employee groups to bargain collectively and will continue to negotiate agreements that are fair and within the limits of sound business.

TRANSCONTINENTAL & WESTERN AIR, INC.

FINANCIAL POSITION

Working capital at the close of 1941 and 1940 was:

	1941	1940
Current Assets	\$4,134,627.11	\$3,916,454.15
Current Liabilities	2,219,340.74	2,697,951.89
Net Working Capital.....	<u>\$1,915,286.37</u>	<u>\$1,218,502.26</u>

Early in 1941 TWA borrowed \$2,000,000 under the Bank Credit Agreement described in the 1940 Annual Report. Later in the year a net total of \$1,000,000 was repaid, leaving a balance of \$1,000,000 represented by notes due December 31, 1944. The purpose of this borrowing was to finance the purchase of new equipment and to meet short term credit requirements.

EQUIPMENT

STRATOLINERS

At the request of the War Department, TWA has transferred its fleet of five Boeing Stratoliners to the United States Government. This transfer will be reflected in our 1942 financial statements.

In announcing the transfer of the Stratoliners, the War Department issued the following statement: "In appreciation of TWA's patriotic action, the War Department has authorized as replacement equal seating capacity on aircraft of a type similar to those now being operated by TWA and other domestic airliners, with confidence that the traveling public will appreciate that Army requirements must be given priority of this long range equipment".

TWA is proud to have made this contribution to the nation's war effort, but the fact must be faced that the surrender of the Stratoliners will result in a substantial loss in revenues.

It has been the policy of your management to report fully and frankly all details of important transactions affecting the Company. At the moment, because of the secrecy which must surround all military matters, we are not permitted to report further details concerning this transaction.

CONSTELLATIONS

TWA had expected to place in transport service in 1942 a new fleet of high-speed, 64-passenger airplanes, known as the Constellations, to be manufactured by the Lockheed Aircraft Corporation. The Constellation is a new type transport of revolutionary performance and design. Delivery of these planes has been delayed because of the war, and we anticipate that it may be some time before they will be available for use in domestic transport operations.

DOUGLAS EQUIPMENT

TWA in the summer of 1940 entered into a contract with Douglas Aircraft Company, Inc., for the purchase of fifteen DC-3 airplanes. Because of the allocation of all DC-3 production to the military services, the Douglas Aircraft Company discontinued

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(TWA Annual Report-1941)

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delivery under this contract after TWA had received only nine of these aircraft. Late in 1941, in making an allocation of DC-3 airplanes to the various airlines, the Government allocated eleven DC-3's to TWA. We expect to secure delivery of all eleven planes in the late summer and early fall of 1942.

Early in 1941 the entire Douglas DC-3 fleet was equipped with new and more powerful Wright Cyclone engines.

NEW ROUTES

MARQUETTE AIRLINES

The purchase of Marquette Airlines and the transfer of its certificate of public convenience and necessity to TWA, concerning which the Stockholders have previously been informed in detail, was concluded late in 1941. This certificate authorizes the carriage of passengers and express between St. Louis, Cincinnati, Dayton, Toledo and Detroit.

NEW ROUTE APPLICATIONS

The Company began service to Reading, Pennsylvania, on August 1 and to South Bend, Indiana, on December 1, 1941. Our application to stop at Atlantic City, New Jersey, was denied.

On April 24, 1941, the Civil Aeronautics Board announced that all new route certificates would contain a condition to the effect that such certificates would not become effective for operations until the Board notified the holders thereof that the national defense no longer required a delay in inauguration of services.

On December 12, 1941, following our entry into the war, the Civil Aeronautics Board announced that further action on all pending route applications would be indefinitely postponed, but that "the Board may assign hearings on certain applications, or direct that cases now pending at some intermediate step be carried to decision, if the Board finds that special considerations of national interest may require the early inauguration of the services involved".

In common with other airlines, TWA has a substantial investment in time and money in applications before the Civil Aeronautics Board. It would be to the advantage of all concerned if decisions could be rendered promptly on those applications where the hearing has been completed, even though the actual operation of the routes granted may necessarily be deferred until a later date.

TWA applications upon which hearings before the Civil Aeronautics Board have been held, but for which no decision has been rendered are:

- Amendment to Route 37 to permit a stop at Los Angeles and to authorize air mail service for Oakland over this route.
- Pittsburgh to Boston via intermediate points.
- St. Louis to Washington via intermediate points.
- Dayton to Washington via intermediate points.
- Kansas City to Denver via intermediate points.
- Amarillo to Houston and Dallas via intermediate points.
- Amendment to Routes 2 and 38 to permit a stop at Grand Canyon (Arizona State Airport).
- Amendment to Route 2 to permit a stop at Phoenix.

TRANSCONTINENTAL & WESTERN AIR, INC.**REPORT OF THE PRESIDENT***To the Stockholders:*

The year 1942 was one of accomplishment for TWA, not merely when measured by conventional standards, but when measured by the only proper yardstick—contribution to the war effort of the nation. Operating results and the financial position of the Company are set forth later in this report.

WAR ACTIVITIES**MILITARY CONTRACT SERVICES**

TWA was able to pioneer in the undertaking of war projects for the Army Air Forces as a result of its operation of the Stratoliners in scheduled service beginning in July 1940. The use of these aircraft not only permitted TWA to improve transcontinental service before the war, but gave the Company a detailed knowledge of problems encountered in the operation of 4-engined long-range aircraft. Further, the organization necessary for the commercial operation of the Stratoliners made available a large number of technically trained personnel.

The first major war project undertaken by TWA for the Army Air Forces was the operation of the Stratoliners in overseas air transport services. The scope of this overseas service has since greatly increased. Planes operated by TWA now speed men and supplies to many of the fighting fronts of the world.

The value of TWA's experience is evidenced further by the fact that, prior to the outbreak of war, TWA organized and operated a 4-engine transition school for the Army, which set the pattern for the programs now conducted for the training of pilots, mechanics, navigators, meteorologists, radio operators and other flight specialists.

All of the Company's operating experience has been utilized in war projects. Many of the problems met in expanding the nation's wartime aviation program were problems which already had been encountered in pre-war scheduled operations. For example, TWA always has had to adapt its aircraft for seasonal operation and for particular types of service. Consequently, the Company has been able to do an effective job at its modification center where combat aircraft are equipped for operation under the service conditions to which they have been assigned.

EQUIPMENT

The Constellation, conceived by Howard Hughes and by the President of the Company, completed its first test flight in January 1943. This airplane was built by Lockheed Aircraft Corporation for TWA's use in transcontinental and overocean service. As originally designed, the Constellation was a 4-engined aircraft carrying 57 passengers and a crew of 7.

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with a cruising speed making possible non-stop transcontinental flights in less than nine hours. Although the precise specifications of the Constellation are now secret, its value for military purposes is self-evident. Consequently, arrangements have been entered into whereby these aircraft will be sold to the Government at cost, subject to an option of TWA to repurchase them when they are no longer required for military service.

At the beginning of 1942, TWA had on order certain Douglas DC-3 aircraft and expected to receive additional DC-3 aircraft to replace the Stratoliners. Early in 1942, the Government decided that allocation and delivery of additional commercial aircraft should not then be made, and further decided to requisition aircraft from the domestic airlines. As a result, TWA's fleet was reduced to slightly more than half of its former size.

SCHEDULED TRANSPORT SERVICE

Because of the reduced fleet of aircraft available for commercial operations, TWA found it difficult during the latter part of the year to meet all demands upon it for service. Schedules operated with the smaller fleet were adjusted and increased utilization was obtained. Planes are now operated more hours per day than ever before in the history of the company.

Not only have planes been operated more intensively, but payload utilization has been virtually at a maximum. Many flights were operated with capacity loads, and during the last quarter of the year an average utilization of approximately 90% of available payload was attained.

The demand for air transportation has been so great that it became necessary to establish a system of priorities for air passengers and air cargo. Under this system it is sometimes necessary to displace passengers in order that the airline may carry the essential war traffic. Despite problems arising from priorities and wartime operation, TWA has continued its high standards of passenger service.

Safety of operation has continued to be one of TWA's primary considerations. TWA has maintained its high safety standards through technological improvement, rigid policing of safety standards and an increase in man hours of maintenance per plane.

ORGANIZATION

During the year, the number of employees almost doubled. A total of 832 TWA employees have entered the Armed Forces. Employees individually have made further contributions to the war effort in a variety of ways, including the preparation of training manuals for the Army and technical assistance on special projects.

Executive personnel who have been granted leave of absence in order to accept posts of responsibility with the Army or Navy include: Mr. T. B. Wilson, Chairman of the

TRANSCONTINENTAL & WESTERN AIR, INC.

Board, now Colonel in the United States Army Air Forces and Chief of Transportation for General MacArthur in the Southwest Pacific; Mr. D. W. Tomlinson, formerly Vice President of Engineering, now Captain in the United States Navy and Chief of Staff for the Naval Air Primary Training Command; Mr. L. G. Fritz, formerly Vice President of Operations, now Colonel in charge of operations for the Air Transport Command under Major General Harold Lee George; and Mr. Paul E. Richter, formerly Executive Vice President, now Commander in the United States Navy and Operations Officer for the Naval Air Transport Service.

FINANCIAL REVIEW

The net profit for the year was \$2,176,035.35 after taxes. In addition, \$1,044,380.44 net after taxes was realized from the sales of planes, engines and accessory equipment, making a total increase in earned surplus for the year of \$3,220,415.79. Fees earned under Government contracts amounted to only a small portion of the net profit.

OPERATING REVENUES

Total operating revenues for 1942 were \$16,044,632.55, an increase of \$1,980,372.92, or 14% over 1941. Passenger traffic in 1942 contributed 67% of TWA's operating revenues; mail 22%; express 8%; and miscellaneous sources 3%.

EXPRESS REVENUES

Almost half of the increase in total operating revenues was attributable to a gain in express revenues. Express pound miles increased 163% over 1941.

MAIL REVENUES

Mail revenues during the year were \$3,628,447.61, an increase of \$579,017.11 over 1941. The Civil Aeronautics Board on February 6, 1943, issued an order which established a rate of mail compensation for all routes on the TWA system of .3 of a mill per pound mile, effective January 1, 1943. During 1942 the average rate per pound mile was approximately .47 of a mill.

PASSENGER REVENUES

Passenger revenues of \$10,707,040.38 represent an increase of \$426,446.01 despite a reduction in size of fleet by almost one-half. This increase in passenger revenues is due primarily to the increased average number of passengers per mile resulting from extraordinary traffic demands, but is due partly to the discontinuance on July 1, 1942, of the 10% round trip discounts and 15% Air Travel Plan discounts.

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(TWA Annual Report-1943)

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WORKING CAPITAL AND EQUIPMENT REPLACEMENT FUND

Proceeds from the sale of aircraft, spare engines, accessories and parts during the years 1942 and 1943 have been set apart and are being held for the purchase of new equipment when available.

Working capital and Equipment Replacement Fund at the close of each of the past three years were:

	1943	1942	1941
Current Assets	\$9,972,133.00	\$8,282,131.57	\$4,134,627.11
Current Liabilities	5,384,348.21	4,542,691.89	2,219,340.74
Net Working Capital.....	\$4,587,784.79	\$3,739,439.68	\$1,915,286.37
Equipment Replacement Fund.....	3,172,525.94	2,309,258.49	
TOTAL	\$7,760,310.73	\$6,048,698.17	\$1,915,286.37

Contract operations for the War Department have continued to require a substantial amount of working capital. Accounts receivable due from the U. S. Government under war contracts amounted to \$1,938,579.54 on December 31, 1943. Total accounts receivable due from the U. S. Government on that date were \$3,591,790.70.

INCENTIVE PLAN

The Incentive Compensation Committee has authorized a maximum credit of \$250,000 to the Incentive Plan Compensation Fund in respect of the year 1943 for distribution to supervisory, technical, administrative and executive personnel.

EMPLOYEES STOCK PURCHASE PLAN

Income for 1943 was charged with \$175,302, representing the difference between the cash paid by employees and market value of 14,178 shares of TWA capital stock issued to employees in 1943 under The TWA Employees Stock Purchase Plan, Class of 1938.

WAR ACTIVITIES

CONTRACT SERVICES FOR THE ARMED FORCES

During 1943, TWA continued to utilize the experience and knowledge of its organization for the performance of special services for the Armed Forces. It will not be possible to render a full accounting of services for the Armed Forces until victory is attained and censorship lifted. TWA has undertaken every emergency activity requested by the Armed Forces, regardless of the difficulties involved. The performance of these activities has been such that you may well be proud of your Company.

The most important service was the continued operation of four-engine aircraft in overseas transport service. Foreign transport operations were inaugurated in February, 1942. By December 31, 1943, planes operated by TWA had completed 1,403 Trans-Atlantic crossings. The importance of this service is best indicated by the fact that the passengers transported by TWA have included President Roosevelt, Generals Marshall, Arnold, Eisenhower and George, Admirals King, Stark and Towers, Secretary of War Henry L. Stimson, Undersecretary of War Robert P. Patterson, Assistant Secretary of

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War for Air Robert A. Lovett, Ambassador Joseph E. Davies, Ambassador Winant, Madame Chiang Kai-shek, General Henri H. Giraud, Queen Wilhelmina of the Netherlands, President Vargas of Brazil, Lord Mountbatten, King George of Greece, King Peter II of Yugoslavia and many other United Nations leaders.

In addition to these services a complete flight crew of TWA employees was granted leave of absence and temporarily commissioned in the Army of the United States for the purpose of flying President Roosevelt to the recent conferences at Cairo and Teheran. These employees have all returned to their duties with TWA.

Other war services in 1943 have included:

- Operation of military aircraft in transport service within the United States.
- Training of military pilots, navigators and other flight crew members.
- Technical training of Army ground personnel as mechanics, radio operators, etc.
- Operation of a temporary Modification Center for military aircraft.
- Experimental tests of aircraft fuels.
- Performance of technical experimental radio tests.
- Maintenance and overhaul service for Army and Navy aircraft.
- Assignment of trained technical personnel to the Army for special projects.

Total cost to the Government for services performed in 1943 was approximately \$15,000,000. TWA received less than 3% of this amount in fees for those services.

Renegotiation proceedings are in process with respect to services provided in 1942 under contracts with the Army.

EQUIPMENT

At the beginning of the war, TWA assigned its rights to purchase 40 Constellation airplanes to the Army. This is the four-engine airplane conceived by Mr. Howard Hughes and Mr. Jack Frye, which was designed for use by TWA in transcontinental and over-ocean service. Production and use of the plane will be controlled by the Armed Forces until the end of the war. Some of the airplanes are flying and, although details regarding their specifications and performance are now secret, it may be stated that they have equaled or exceeded the original specifications in almost every respect. TWA has the right to repurchase the Constellations when they are no longer required in military service.

Early in 1943, one DC-3 plane was returned to TWA by the Government. During the latter months of 1943, three additional DC-3 planes were returned, making a total fleet of 28 DC-3 planes in scheduled airline operation on December 31, 1943.

AIRLINE OPERATIONS IN WAR TIME

One of the most important contributions to the war effort has been the increased efficiency of operations enabling TWA to provide a maximum amount of transportation with a minimum of equipment.

Continued improvements in scheduling and maintaining airplanes have resulted in a 22% increase in average revenue miles per plane over 1942. A comparison of average revenue miles flown per plane for the past five years follows:

	1943	1942	1941	1940	1939
Average Revenue Miles Per Plane.....	630,358	516,278	452,065	417,979	345,656

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Because of the increase in revenue miles flown per plane and the demand for air transportation, which presently exceeds the capacity of the airlines, average revenue ton miles carried per plane increased 57% over 1942. Average revenue ton miles per plane have increased each year for the five-year period ending in 1943, as follows:

	1943	1942	1941	1940	1939
Revenue Ton Miles Per Plane.....	1,373,798	876,050	611,026	542,971	392,287

ORGANIZATION

On December 31, 1943, TWA had approximately 6,400 employees. Over 1,500 employees of TWA are serving in the Armed Forces.

Mr. Gilbert H. Scribner, of Chicago, Illinois, was elected to the Board of Directors on October 6, 1943.

Mr. Jack Nichols was elected Vice President on July 5, 1943.

Miss Myra E. Black was elected Assistant Secretary on October 6, 1943.

ROUTE DEVELOPMENT**DOMESTIC ROUTES**

TWA has proposed a pattern of domestic airline expansion which has one basic principle; the development of its present territory by serving intermediate cities on or adjacent to its present routes.

These intermediate cities have interests in common with those presently receiving TWA service. It is TWA's policy to integrate their transportation needs to create an air service accommodating a maximum flow of traffic with a minimum extension of route miles.

On September 15, 1943, TWA filed with the Civil Aeronautics Board applications to provide trunk line service to 99 additional cities along the TWA route. These 99 additional cities would be added to the 34 cities now served or certificated, and it is proposed to join the total of 133 communities in a unified air transport system.

Application was filed on September 20 for the extension of transeontinental operations from Los Angeles and the co-terminal San Diego, California, to Honolulu, Hawaii.

During the past year the Civil Aeronautics Board granted approvals under which the following services have been inaugurated:

Transcontinental service between Washington, D. C., and Los Angeles, California, was started on August 16, 1943, after award of a new route between Dayton, Ohio, and Washington, D. C., via Columbus, Ohio, and Wheeling, West Virginia.

Phoenix, Arizona, was added as a stop on the transcontinental route on October 1, 1943.

Palm Springs, California, was added as a temporary stop on the transcontinental route for transportation of military personnel only.

Transcontinental service between New York and San Francisco via Los Angeles was inaugurated in September, 1943. This service was the result of approving Los Angeles as a stop between Las Vegas, Nevada, and Fresno, California, with the restriction that flights operating between Los Angeles and San Francisco may not originate or terminate west of Albuquerque, New Mexico.

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The total cost to the Government for services performed under War Contracts in 1944 was approximately \$10,700,000. TWA received compensation for performance of these services of only slightly more than 1.7% of the total costs.

Renegotiation of war contract services with respect to 1942 and 1943 has been completed. The Government determined that TWA's profits from war contracts in those years were not excessive, and consequently no adjustments were necessary.

AIRCRAFT

PRESENT EQUIPMENT

Despite TWA's high record in the previous year, further improvement in the operating efficiency of available aircraft was obtained. Improved scheduling, together with more closely coordinated maintenance, increased the revenue miles and revenue ton miles per plane over previous years, as follows:

	1944	1943	1942	1941	1940
Revenue Miles Per Plane.....	683,530	630,358	516,278	452,065	417,979
Revenue Ton-Miles Per Plane.....	1,527,137	1,373,798	876,050	611,026	542,971

At the end of 1944, TWA had 38 DC-3 planes in service and one in process of reconversion to commercial passenger use. Five additional DC-3 planes have been received thus far in 1945 from the Government. When planes now being reconverted are placed in service, TWA will have a fleet of 44 DC-3 planes and five Stratoliners in operation.

The five Stratoliners delivered to the Army early in 1942 were returned to TWA during the past year. These Stratoliners have been rebuilt at the Boeing factory with the latest type Flying Fortress wings and tail assemblies and more powerful engines. TWA is installing a new interior, including a ventilating and heating system of improved design. Upon completion, the Stratoliners will accommodate 38 passengers and a large volume of mail and express. With these new planes in service, TWA again will be the only airline operating four-engine aircraft in scheduled domestic service.

In allocating planes to the airlines, the Government appears to be attempting to restore airline fleets to their relative sizes at the time of Pearl Harbor. This policy ignores the substantial quantity of new type planes TWA had on order at that time to correct the then existing equipment deficiencies. As a result of the Government's policy, TWA has not received an equitable share of planes returned by the Government to the airlines.

The Government's plane allocation policy also appears to give little or no consideration to existing transportation needs of the important industries and communities on TWA's routes. Thus, TWA has been unable to offer the volume of air transportation required in the war effort to the same extent as its principal competitors. This serious situation is receiving continuous study by the management and every effort is being made to correct it, so that TWA will be enabled to provide adequate air transportation service to the communities it serves.

FUTURE EQUIPMENT

The postwar era will see general adoption by major airlines of four-engine aircraft. In 1940, TWA first introduced such planes into regular service. During the year 1939 TWA began the development of the Constellation, an advanced type of four-engine aircraft, for use in both domestic and international service. Aviation history was made in April, 1944, when Howard Hughes together with the President of TWA flew the first Constellation from Burbank, California to Washington, D. C. in 6 hours, 58 minutes establishing a new transcontinental record.

TRANSCONTINENTAL & WESTERN AIR, INC.

The war interrupted the Company's plans to put the Constellations into commercial service. All of these aircraft on order for TWA were assigned to the Army. TWA has an option on 40 of these Constellations and a preferred delivery position on new versions of these aircraft.

Thus, TWA achieved equipment leadership in the past and expects to maintain such leadership in the future.

The equipment requirements of the Company for domestic and international service will be substantial over the next few years and will necessitate a sizable volume of financing. Plans for financing these needs will be finally determined when the time and scope of such plans can be more accurately established.

ROUTE DEVELOPMENT

DOMESTIC ROUTES

In 1943, TWA announced a pattern of domestic airline expansion designed to integrate and develop air transportation in areas logically related to its existing route structure. Following this pattern, applications have been filed with the Civil Aeronautics Board to provide trunkline service to all important communities on or adjacent to its present routes.

In 1944, the Civil Aeronautics Board approved the applications to serve the following:

Boston to Pittsburgh via Binghamton and Albany, New York and Williamsport, Pennsylvania. (Service on this important route is scheduled to begin on May 1, 1945.)

Terre Haute, Indiana, as an intermediate stop on the transcontinental route.

Morgantown, West Virginia, as an intermediate stop between Columbus and Washington, D. C.

Topeka, Kansas, as an intermediate stop between Kansas City and Wichita.

The Civil Aeronautics Board denied applications for the following new services:

Indianapolis to Detroit and Cleveland via Anderson-Muncie, Marion and Fort Wayne, Indiana, and Toledo, Ohio.

Denver, Colorado as an intermediate stop on an alternate route between Kansas City and Los Angeles.

New York to Boston via intermediate stops.

Detroit and Cleveland as intermediate stops between Chicago and New York.

An alternate route from St. Louis to Amarillo via Joplin, Missouri and Tulsa and Oklahoma City, Oklahoma.

TWA has applications for new routes and amendments of existing certificates of convenience and necessity still pending before the Civil Aeronautics Board including the addition of 57 smaller cities to its system. These proposed routes are shown in detail on the map on pages 8-9.

INTERNATIONAL ROUTES

After more than two years of extensive research and planning, TWA in June, 1944, filed its application for the round-the-world route shown on page 16. This application was filed only after the Company was completely satisfied as to the traffic-generating possibilities of the proposed route, and after TWA had carefully surveyed costs to assure its economic feasibility.

To some, this program may appear excessively ambitious. Such is not the case. Initial operations over this international route involve flying approximately 68,000 miles per day, this is less than the present scheduled daily mileage of TWA's domestic routes. The capital outlay to establish this round-the-world route is estimated at \$500,000, which would consist principally of expenditures for aircraft. The Company's ability to finance is well in excess of such a sum.

TRANSCONTINENTAL & WESTERN AIR, INC.
(Incorporated in Delaware)
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1944

LIABILITIES

CURRENT LIABILITIES:

Accounts payable(including expenditures relating to United States Government contracts)	\$ 971,825	
Accounts payable for aircraft purchased.....	374,189	
Deposits for air travel plan, less transportation used.....	750,863	
Transportation tax, employees' payroll deductions for income and social security taxes, United States War Bonds, insurance, etc.....	431,163	
Other airlines—traffic balances payable.....	94,654	
Sundry accounts payable.....	224,608	
Accrued accounts:		
Salaries and wages.....	934,039	
Taxes (other than income).....	216,631	
Federal and State income taxes.....	2,065,371	
Insurance, rent, etc.....	208,226	\$ 6,271,569

TRANSPORTATION SOLD BUT NOT USED.....

434,047

SPECIAL FUND RESERVES (Contra):

Employees' Stock Purchase Plan.....	\$ 62,527	
Aircraft insurance	340,283	
Advances by United States Government.....	2,535,019	
Employees' Incentive Compensation Plan.....	358,591	3,296,420

CAPITAL STOCK AND SURPLUS:

Capital stock—authorized 1,000,000 shares, par value \$5 per share (24,414 shares unissued, of which 10,607 shares are subject to option to employees)—outstanding 975,586 shares.....	\$4,877,930	
Capital surplus—paid-in	4,073,807	
Earned surplus	7,300,272	16,252,009

TOTAL.....

\$26,254,009

(For Notes 1 to 8, which are an integral part of this statement, see next page.)

REPORT OF THE PRESIDENT TO THE STOCKHOLDERS

Important developments occurring in 1945 opened a period of substantial expansion for TWA, the Trans-World Airline.

The Civil Aeronautics Board awarded TWA international routes extending TWA's air transportation system to Europe, North Africa, the Near and Middle East and India. Scheduled air service to Newfoundland, Ireland and France began on February 5, 1946. Air service to Portugal, Spain, Italy, Switzerland, Greece, Egypt and other countries on the routes is planned for the near future.

Eighteen four-engine Constellations, the fastest and most modern commercial transport planes yet built, were delivered to TWA in 1945 and early 1946. An additional 18 Constellations are scheduled for delivery late in 1946.

The volume of traffic carried reached an all-time high. Demand for air transportation continued in excess of capacity. Five four-engine Stratoliners and 13 additional Douglas DC-3 planes were placed in service during the year.

Arrangements were completed for the sale at par of \$30,000,000 of 3% sinking fund debentures to provide additional capital. \$10,000,000 of these debentures were issued in 1945.

Financial Review

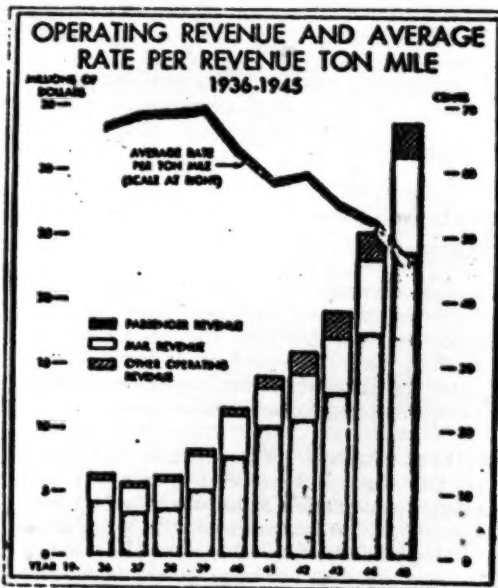
Earnings: Net income for 1945 after provision for income taxes was \$1,813,576, or \$1.84 per share of capital stock outstanding. In 1944, net income was \$2,752,960, or \$2.82 per share.

The lower 1945 earnings reflect: (1) reductions in passenger and airmail rates during 1945 adversely affecting operating revenues by approximately \$4,250,000; (2) costs attributable to the introduction of new types of equipment; (3) costs of preparing for future expansion, including substantial expenses incurred in training additional personnel; and (4) a book loss of \$290,374 after tax adjustments, resulting from the sale of two airports not currently used in TWA's operations.

Operating Revenues: The total volume of passengers, airmail, air express and air freight reached a record level of 72,663,873 revenue ton miles in 1945. Operating revenues of \$33,776,106 were the highest in the Company's history.

Airmail rates were reduced from 60¢ per ton mile to 45¢ per ton mile effective January 1, 1945. Adjustments in passenger fares in May and August reduced average passenger rates to

approximately 41½¢ per mile. As a result, average transportation revenues decreased from 52.1¢ per revenue ton mile in 1944 to 46.2¢ in 1945.

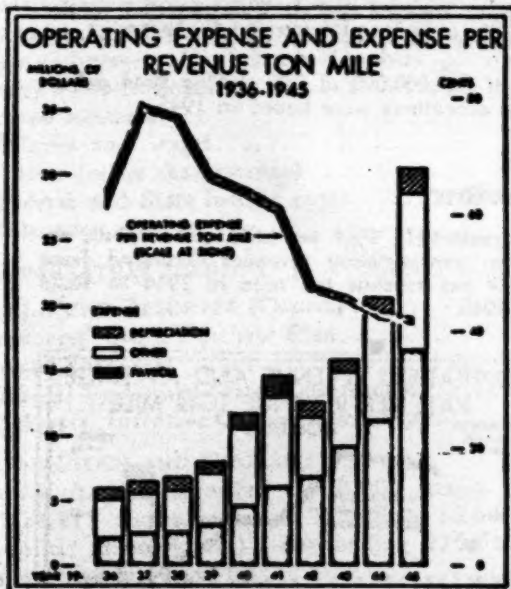


COMPARATIVE OPERATING REVENUES

	1945	1944	Percent Increase
Passenger	\$23,895,949	\$17,576,461	36%
Airmail	7,237,379	5,653,224	28%
Express and Freight	2,031,992	1,618,471	26%
Other	610,786	492,579	24%
Total	<u>\$33,776,106</u>	<u>\$25,340,735</u>	<u>33%</u>

TRANSCONTINENTAL & WESTERN AIR, INC.

Operating Expenses: Operating expenses for the year were \$30,575,841. Substantial operating economies achieved during the year were partially offset by increased wage and material costs and by expenses incurred during the latter part of 1945 in preparation for the introduction of the Constellations, as well as for the 1946 expansion in operations. Unit costs, as measured by revenue ton miles, decreased from 42.6¢ in 1944 to 42.1¢ in 1945.



Expenses directly attributable to pre-operating costs of the international route totaling \$943,930 are not included in operating expenses, but have been deferred and will be amortized by charging operating expenses over a period of approximately seven years.

Additional Capital: To provide additional capital for the purchase of new aircraft and for other purposes, TWA has arranged to borrow \$30,000,000 from the Equitable Life Assurance Society of the United States. The loan is represented by 3% sinking fund debentures due June 1, 1956. Sinking fund payments of \$2,000,000 per year will begin June 1, 1947. TWA is permitted, within prescribed limitations, to incur additional secured or unsecured indebtedness. \$10,000,000 of the total loan was received in December, 1945. An additional \$7,000,000 was received in February, 1946, with the balance to be received prior to June 1, 1946.

On August 1, 1945, TWA borrowed \$1,700,000 from a group of banks for the repurchase and

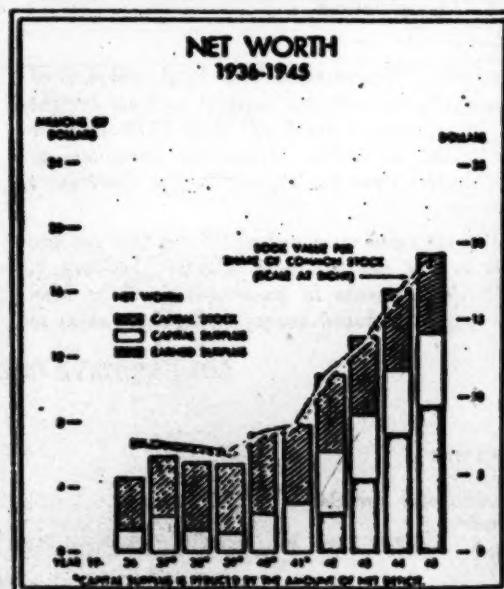
modernization of the five four-engine Stratoliners. This loan is payable in equal quarterly instalments over a five-year period and is secured by a chattel mortgage on the Stratoliners. The average interest rate for the five-year period is approximately 1.97%.

Net Working Capital: Net working capital was \$7,801,000 on December 31, 1945.

	1945	1944
Cash & U. S. Government Securities	\$12,011,980	\$10,508,748
Other Current Assets	7,892,097	4,709,982
Total Current Assets	\$19,904,077	\$15,218,730
Current Liabilities	12,103,077	6,271,569
Net Working Capital	\$ 7,801,000	\$ 8,947,161

At the close of 1945, TWA's current liabilities included amounts payable for eight Douglas DC-4s and for large purchases of parts and materials for the operation of the Constellation and DC-4 airplanes. Other major factors affecting working capital were the receipt of \$10,000,000 from the sale of debentures in December and \$1,700,000 from the Stratoliner loan in August, and the purchase of flight equipment and related accessories during the year of a total value of approximately \$14,500,000.

Net Worth: Capital stock, together with paid-in and earned surpluses, totaled \$18,526,680 at the close of 1945. Net worth per share of capital stock outstanding was \$18.80.

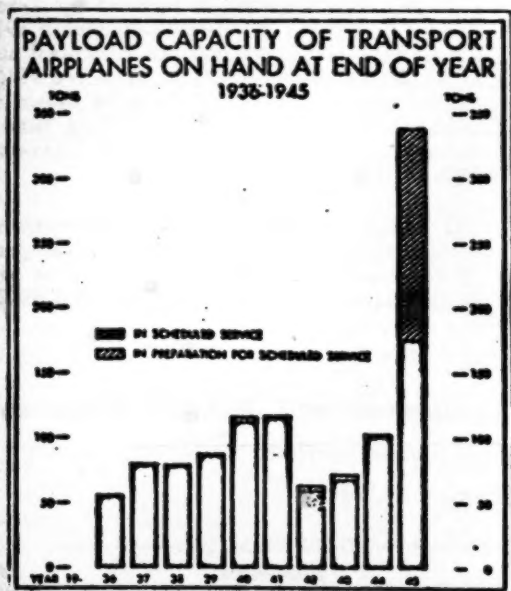


TRANSCONTINENTAL & WESTERN AIR, INC.

Earned and paid-in surpluses increased \$2,225,176 during the year to \$13,599,255 on December 31, 1945.

Aircraft

TWA, at the year end, had a fleet of 93 aircraft, of which 67 were owned and 26 were leased from the Government. Scheduled service was being conducted with 48 Douglas DC-3s and five Boeing Stratoliners. Five additional DC-3s were being used for pilot training. Ten Constellations and eight Douglas DC-4 Sky-masters were being prepared for domestic and international service or were in use on special flights over the international route. Seventeen Douglas DC-3s were in process of conversion to commercial standards.



TWA was the first to place the Constellation in the skies. The Constellation sets new standards of passenger comfort with its pressurized cabin which provides low altitude comfort with high altitude speed and smoothness. On February 3, 1946, a TWA Constellation, piloted by Jack Frye, established a new transcontinental commercial record by flying non-stop from Burbank to New York with 45 passengers in seven hours and 28 minutes.

In addition to the 18 Constellations now on hand, TWA expects to receive, late in 1946, another 18 Constellations of an improved type with sleeping accommodations and other luxury features.

In February, 1946, nine-hour-and-45-minute service from Los Angeles to New York and 17-hour service from New York to Paris was started with Constellation planes. The Los Angeles to New York Constellation schedules contrast with 18-to-20 hour flights operated with DC-3s and 15-hour flights operated by TWA with the four-engine Stratoliners.

Ground Facilities

Two large hangars and associated buildings, which were formerly a part of the North American Aviation Bomber Plant at Kansas City, Kansas, have been leased by TWA for an overhaul base. The present overhaul base located on the Kansas City, Missouri, Municipal Airport will hereafter be used as a maintenance base only. Temporary maintenance and overhaul facilities for international operations have been obtained at the Newark, New Jersey, Municipal Airport. Contractual arrangements have been completed with the City of New York for the future use of the Idlewild Airport.

A large scale program of increasing and improving ticket and reservations offices and other facilities to accommodate the expected increased volume of passenger traffic was started in 1945 and will continue through 1946.

Route Development

International Routes: On July 5, 1945, the Civil Aeronautics Board awarded to TWA a certificate of public necessity and convenience to provide international air transport service from (1) the terminal points Boston, Chicago, Detroit, New York, Philadelphia and Washington to Newfoundland, Eire, France, Switzerland, Italy, Greece, Egypt, Palestine, Trans Jordan, Iraq, Saudi Arabia, Yemen, Oman, India and Ceylon; (2) from the same terminals in the United States to Portugal, Algeria, Tunisia, Libya and Egypt; and (3) a connecting route from Portugal to Spain and Italy. Early in 1946, Baltimore was added as an additional terminal point for the foreign routes. This certificate was issued for a period of 7 years. Scheduled flights over the route from Washington and New York to Paris began on February 5, 1946, with Constellation and Skymaster planes.

Scheduled service over the balance of the routes will be established as rapidly as conditions permit.

There is now pending before the Civil Aeronautics Board an application for an extension of our international route from India and Cey-

TRANSCONTINENTAL & WESTERN AIR, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED BALANCE SHEET

1. The Company's present holdings in TACA Airways, S. A. represents approximately 28.81 per cent of the total outstanding common capital stock of that Company. TACA Airways has wholly-owned subsidiaries operating in several Central American countries, a majority-owned subsidiary operating in Brazil (Aerovias Brazil, S. A.), and a minority interest in other operating companies.

Unaudited financial statements of TACA Airways and its partially-owned affiliates for the years 1944 and 1945 show that operations for those years resulted in substantial losses. No provision was made for this loss as a quoted over-the-counter bid price for TACA Airways, S. A. stock at December 31, 1945 indicated a valuation in excess of its cost to Transcontinental & Western Air, Inc.

The convertible notes of TACA Airways, S. A. were converted into 50,000 shares of common capital stock in January 1946. In July 1945 the Company entered into an agreement for the purchase of an additional 60,000 shares of common capital stock of TACA Airways, S. A. at a price of \$10.50 per share if purchased on or before July 1, 1946.
2. Pittsburgh-Butler Airport, Inc. wholly-owned subsidiary was dissolved during the year.
3. Federal income tax returns for the years 1942 to 1945, inclusive are subject to examination by the Bureau of Internal Revenue.
4. Renegotiation proceedings pursuant to the War Contracts Renegotiation Act have been concluded for the years 1942 and 1943 without refund to the Government. The Army Air Forces, Air Technical Service Command, have advised the Company that their assignment to conduct renegotiation proceedings for the years 1944 and 1945 has been cancelled and that while such cancellation does not operate as a release of liability under the Renegotiation Statute, no further action was contemplated.
5. The 3 per cent sinking fund debentures due in 1956 represent the portion received by Transcontinental & Western Air, Inc. in December 1945 on a total loan of \$30,000,000. An additional amount of \$7,000,000 was received in February 1946 and the balance of \$13,000,000 is to be drawn on or before June 1, 1946. Annual sinking fund payments of \$2,000,000 are required beginning on June 1, 1947.
6. The Company has entered into commitments aggregating approximately \$29,000,000 for the purchase of additional aircraft, engines, and spare parts to be delivered during the years 1946 and 1947.

Summary of Property, Plant, and Equipment and Related Reserves For Depreciation and Amortization

For the Year Ended December 31, 1945

CLASSIFICATION OF PROPERTY	DECEMBER 31, 1945			
	Property Accounts	Reserves for Depreciation and Amortization	Net Book Value	Net Book Value December 31, 1944
Aircraft	\$12,929,322	\$3,306,292	\$ 9,623,030	\$1,501,533
Engines	4,247,261	1,007,168	3,240,096	762,993
Communication, hangar, shop, and other equipment.....	2,938,822	1,182,868	1,755,954	670,000
Furniture, fixtures, and office equipment.....	905,058	235,336	669,722	385,237
Buildings, improvements on land owned, and leasehold improvements	1,151,724	530,334	621,390	417,286
Uncompleted work orders—not classified.....	833,721		833,721	507,361
Leased aircraft conversion costs.....	1,510,070	182,436	1,357,634	
Land	276		276	1,528
TOTAL.....	\$21,516,257	\$6,111,131	\$18,101,823	\$1,215,911

TO THE STOCKHOLDERS:

There is submitted herewith the consolidated income account of your company for the twelve-month period ended December 31, 1946, and the consolidated balance sheet as of that date, certified to by the company auditors, Messrs. Haskins & Sells.

Despite the heavy loss incurred during the year 1946, it is possible to look forward with much hope for the future. The equipment is of the highest standard and sufficient in total for near term requirements, and most important to all, your company has an organization of close to 13,000 skilled employees, who collectively implement a world-wide air transportation system unparalleled in its provision of service to the traveling public.

**The Executive Committee
of the Board of Directors
Transcontinental & Western Air, Inc.**

March 29, 1947.

Consolidated
DECEMBER

ASSETS

CURRENT ASSETS:

Cash on hand and demand deposits.....	\$ 4,416,518	
United States Savings Bonds, Series G.....	50,000	
Accounts receivable:		
United States Government—passenger and mail transportation (see Note 1)	\$1,922,743	
Governments outside the United States (See Note 1).....	1,519,734	
Other airlines and agents—traffic and express balances.....	1,974,275	
Subscribers to air travel plan in excess of deposits.....	326,039	
Other accounts receivable.....	2,167,547	
Employees	202,524	
Total	\$5,112,861	
Less reserve for doubtful receivables.....	767,479	7,355,382
United States Government war contract expenditures and other charges.....	\$2,071,696	
Less advance payment received of \$1,355,000 and reserve of \$340,898..	1,695,898	375,800
Federal income tax refund resulting from carry-back of 1946 operating loss.....	\$3,105,843	
Less unpaid installments of 1945 income tax.....	582,076	
Net refund (collected in January 1947).....		2,523,767
Deposit on option to purchase aircraft engines—refunded in January 1947.....		685,800
Insurance claims receivable on aircraft losses.....		681,090
Travel and other advances (less reserve \$33,232).....		180,168
Inventory of parts and supplies, at average cost (less reserve, \$225,955).....		9,265,460
		\$25,533,985

SPECIAL FUNDS (Contra):

Unreimbursed expenditures of funds advanced by United States Government.....	96,877	
Employees Incentive Compensation Plan—cash.....	48,881	
Other funds held in trust—cash.....	277,666	422,424

INVESTMENTS AND ADVANCES:

TACA Airways, S. A.:		
Capital stock (\$75,000 shares of common, par value \$5 per share)—stated at option sales price of \$2 per share (see Note 2).....	\$ 550,000	
Accounts receivable	55,071	605,071
City of New York Serial Bonds, face value \$63,000 (deposited with City of New York as guarantee of lease performance—at cost, less amortization of premium		64,204
Wholly-owned subsidiary not consolidated. TWA Agency, Ltd.....		94,086
Other investments in and advances to associated companies and others (see Note 3).....	1,276,294	2,039,655

PROPERTY, PLANT, AND EQUIPMENT—At Cost (Boeing Stratoliners of a net
book value of \$1,432,000 pledged as collateral to chattel mortgage loan).....

\$45,415,970	
Less reserves for depreciation and amortization, and reserve of \$226,000 for loss on equipment and other assets purchased from Foreign Liquidation Commission.	11,878,367
	33,537,603

INTANGIBLE ASSET—Air route acquired through Marquette Airlines, Inc., wholly-
owned subsidiary

309,801

DEFERRED CHARGES:

International Division development expenses—unamortized portion (see Note 5)...	\$ 2,336,579	
Prepaid insurance, taxes, rent, etc.....	399,444	
Unamortized expenditures relating to construction of municipal airports.....	363,168	
Long term debt expense—unamortized portion.....	226,523	
Miscellaneous	172,167	
		3,497,901

TOTAL

\$55,342,369

IR, INC., AND SUBSIDIARIES

Balance Sheet

LIABILITIES

CURRENT LIABILITIES:

Notes payable to banks—portion due within one year in quarterly instalments beginning March 1, 1947.....	\$ 340,000	
Sinking fund instalments to be applied as a reduction of indebtedness:		
Series A Debentures payable May 28, 1947.....	\$2,000,000	
Series B Debentures payable November 27, 1947.....	2,000,000	4,000,000
Accounts payable		7,722,706
Transportation tax, employees' deductions, etc.....		1,021,137
Other airlines—traffic balances payable.....		1,607,892
Air travel plan and other deposits, less transportation used.....		1,622,279
Amount payable representing loss resulting from exercise of sales option on January 31, 1948 on 60,000 shares of TACA Airways, S. A. stock which the Company has agreed to purchase on or before July 17, 1947 (see Note 2).....		525,750
Accrued accounts:		
Federal income tax deficiency for the years 1942 and 1943 and interest thereon	\$ 152,541	
Salaries and wages.....	1,888,240	
Taxes (other than income).....	377,942	
Insurance premiums, legal fees, etc.....	410,108	
Interest	108,156	
Income taxes	22,934	
	2,965,921	\$19,805,686

TRANSPORTATION SOLD BUT NOT USED.....	2,455,660
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SPECIAL FUNDS (Contra):

Advanced by United States Government.....	\$ 96,377	
Employees' Incentive Compensation Plan.....	48,881	
Other fund reserves	277,666	423,424

NOTES PAYABLE:

Banks—maturing \$85,000 quarterly beginning March 1, 1948 (final maturity \$43,461)—five Boeing Stratoliners pledged as collateral.....	808,461
2% Notes issued in part payment for Constellation airplanes, payable in annual instalments of \$494,331 in 1949 and 1950 and \$250,000 in 1951 (see Note 4).....	1,228,663

SINKING FUND DEBENTURES: (See Note 6)

Series A 3% Debentures, due June 1, 1956—annual sinking fund instalments of \$2,000,000 beginning May 28, 1948—(1947 instalment included in current liabilities)	28,000,000
Series B 2 1/4% Debentures, due December 1, 1951—annual sinking fund instalments of \$2,000,000 beginning November 27, 1948—(1947 instalment included in current liabilities)	8,000,000

RESERVE PROVIDED FOR OBSOLESCENCE OF BOEING AND DOUGLAS DC3 SPARE PARTS AND ASSEMBLIES UPON RETIREMENT OF RELATED FLIGHT EQUIPMENT

406,590

NET EQUITY OF COMMON CAPITAL STOCK:

Capital stock—authorized 1,000,000 shares par value \$5 per share (14,071 shares unissued of which 214 shares are subject to option to employees) outstanding 985,929 shares.....	\$4,929,645	
Capital surplus—paid in	4,509,229	
Deduct net deficit at December 31, 1948.....	\$ 9,437,874	5,233,988
		4,203,896

TOTAL	\$65,342,369
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The accompanying notes to financial statements constitute an integral part of this balance sheet.

TRANSCONTINENTAL & WESTERN AIR, INC.
AND SUBSIDIARIES**Statement of Consolidated Income**
FOR THE YEAR ENDED DECEMBER 31, 1946**OPERATING REVENUE:**

Passenger	\$45,416,005
Mall	6,211,311
Express and freight	2,981,321
Excess baggage	816,941
Charter and special flights	1,630,000
Other—net	250,437
Total.....	\$57,306,015

OPERATING EXPENSES:

Flying operations	\$14,962,506
Ground operations	13,282,323
Flight equipment maintenance—direct	6,092,292
Ground equipment maintenance—direct	805,427
Equipment maintenance—indirect	7,021,509
Passenger service	5,760,175
Traffic and sales	6,536,063
Advertising and publicity	2,082,830
General and administrative	9,609,282
Depreciation and amortization of operating property	5,473,310
Extension and development expenses (includes amortization, \$317,629)	604,784
	72,280,406

LOSS FROM OPERATIONS..... **14,919,500**

ADD OTHER CHARGES:

Provision for loss resulting from sales options granted on TACA Airways capital stock (see Note 2)	\$ 1,625,750
Provision for loss on equipment and other assets purchased from Foreign Liquidation Commission	226,000
Interest	352,794
Provision for loss on escrow deposit made in connection with lease of office space in Washington, D. C.	108,003
Loss on sale of non-operating property	103,624
Provision for Federal income tax for prior years	39,460
Additional compensation of officers and employees, representing excess of market value of capital stock issued under Employees' Stock Purchase Plan over amount paid for stock under options granted in 1933, 1939, and 1940	22,322
Miscellaneous	69,904
Total.....	3,097,867

\$18,017,367

DEDUCT OTHER CREDITS:

Fees and net revenue on United States Government contracts	\$ 189,111
Interest, discounts, etc.	90,870
Profit on sale of operating property	120,214
Miscellaneous	163,696
	563,891

NET LOSS BEFORE DEDUCTING REFUND OF FEDERAL INCOME TAXES RESULTING FROM CARRY-BACK OF 1946 LOSS..... **\$17,453,877**

DEDUCT REFUND OF FEDERAL INCOME TAXES RESULTING FROM LOSS CARRY-BACK **3,106,943**

NET LOSS FOR THE YEAR..... **\$14,347,934**

See accompanying notes to financial statements which are an integral part of this statement.

TWA Ex. 79, page 7
(TWA Annual Report-1946)

TRANSCONTINENTAL & WESTERN AIR, INC. AND SUBSIDIARIES

FOOTNOTES TO FINANCIAL STATEMENTS

1. The accounts receivable from the United States Government for passenger and mail transportation include \$905,212.25 representing charges for carriage of mail on the North Atlantic route. Charges have been accrued at the temporary rate of 75 cents per United States ton mile as authorized by an order issued by Civil Aeronautics Board which states that the temporary rate is subject to determination of a final rate which may be higher or lower than the temporary rate. Application was filed by the Company in March 1947 with the Civil Aeronautics Board contending that the 75 cent rate was inadequate and requesting an increase in the rate to at least \$1.00 per ton mile. The amount due from Governments outside of the United States includes unpaid foreign air mail charges aggregating \$1,432,552 which are payable by the United States Government out of funds specifically appropriated by Congress for this purpose. No funds were available at December 31, 1946 and collection of these accounts will be delayed pending additional appropriation of funds by Congress.

At December 31, 1946 the Company was contingently liable in the amount of \$614,599.88 on advances received from the United States Government on foreign air mail charges as any amounts so advanced to the Company which are not collected by the Government from the foreign countries are recoverable from the Company.

At December 31, 1946 the Company owned 275,000 shares of capital stock of TACA Airways, S. A., which were acquired at a cost of \$6.00 per share. The Company is obligated to purchase an additional 60,000 shares of TACA stock on or before July 17, 1947 at a price of \$10.50 plus an additional premium of 26% cents per share, and if it fails to do so, agrees to pay to the present owner of the stock the difference between \$10.50 per share and any lower net price realized by the owner on the sale of such stock net purchased by Transcontinental & Western Air, Inc.

In January 1947 the Company granted options for the sale of the 275,000 shares of TACA stock owned and the 60,000 shares which it agreed to purchase. These options are exercisable at \$2.00 per share on or before January 31, 1948, \$2.50 on or before January 31, 1949, and \$3.00 on or before July 31, 1949.

Provision has been made in the accompanying statements in the amount of \$1,625,750 to cover the premium of \$15,750 on the 60,000 shares and a loss of \$1,610,000 which would result from the sale at \$2.00 per share of the 275,000 shares owned and the 60,000 shares to be acquired at \$10.50 per share on or before July 17, 1947.

Other investments in associated companies are stated at cost and do not purport to represent realizable values. Some of the investments in foreign airline companies are of doubtful value and the Company may suffer substantial losses on the sale or liquidation of these investments. No provision has been made in the accompanying statements for such possible losses.

The Company has entered into a repurchase agreement with Lockheed Aircraft Corporation which provides in substance that the Company may return to Lockheed any or all of five Constellation airplanes on which 2% notes were given in part payment, against cancellation of any then outstanding unmatured 2% notes or, if the principal of any notes shall have been repaid or Lockheed shall not then be the owner of such notes, the Company may require Lockheed to pay it an amount equal to the principal of said notes repaid and the principal of any notes outstanding not held by others.

5. International Division extension and development expense represents the unamortized portion of the excess of expenses over revenue received or earned relating to international air transportation service from its inception to April 1, 1946. The net expense charged to this account is being amortized over the period from April 1, 1946 to June 30, 1952, the latter date being the expiration date of the Temporary Certificate of Necessity issued by Civil Aeronautics Authority.

6. Under the indenture dated December 1, 1945, covering the outstanding sinking fund debentures, consolidated earned surplus of the companies at December 31, 1945, amounting to \$9,113,848, is restricted as to payment of cash dividends. The indenture provides that no dividend other than stock dividends be declared if such dividend plus all other dividends declared subsequent to December 31, 1945 exceed the consolidated net income of the Company and its subsidiaries for the period subsequent to December 31, 1945 to and including the date of the declaration of such dividend.

Annual sinking fund payments of \$2,000,000 are required beginning May 28, 1947 for the retirement of the 3% debentures due in 1956 and \$2,000,000 beginning November 27, 1947 for the 2% debentures due in 1951.

An agreement dated May 10, 1946 made between Transcontinental & Western Air, Inc. and The Equitable Life Assurance Society of the United States in connection with the sale of 2% debentures of \$10,000,000 due December 1, 1951 contains the following provision:

"If between the date of this Agreement and May 1, 1947 we* shall not have acquired title to and taken delivery of thirty-one Constellation Airplanes (or other aircraft acquired by us in lieu of Constellations having substantially the same aggregate load-carrying capacity as such Constellations) costing not less than \$23,000,000, we will place in Flight Equipment Fund a sum equal to the excess, if any, of \$23,000,000 over the cost of so many of such Constellations (or such other aircraft) as shall have been so acquired during such period. We further agree that of the eighteen Constellations heretofore acquired by us and the thirty-one Constellations (or other aircraft acquired in lieu thereof as above provided) to be acquired by us hereafter, no more than three thereof shall be disposed of by us for the purpose of subjecting the same to any lien or any conditional sale or other title retention agreement as security for limited indebtedness."

During the period from May 10 to December 31, 1946 the Company purchased Constellation airplanes at an aggregate cost of \$4,327,000.

In accordance with the provisions of a three-party agreement dated January 31, 1947 between Hughes Tool Company, Transcontinental & Western Air, Inc., and The Equitable Life Assurance Society of the United States, the Hughes Tool Company loaned to Transcontinental & Western Air, Inc. the sum of \$5,000,000 on its subordinated convertible 2% note dated January 31, 1947 and maturing on June 2, 1956. Hughes Tool Company also agreed to lend the Company additional sums aggregating \$5,000,000 on or before May 29, 1947, such loans to be evidenced by subordinated convertible 2% notes. The notes are convertible at any time prior to maturity into common stock.

In the three-party agreement dated January 31, 1947, The Equitable Life Assurance Society agreed to

*Meaning Transcontinental & Western Air, Inc.

TRANSCONTINENTAL & WESTERN AIR, INC. AND SUBSIDIARIES

waive and amend certain restrictions and provisions of the indenture dated December 1, 1945 and the supplemental indenture dated June 1, 1946, subject, however, to the consummation of the borrowing from Hughes Tool Company of additional sums aggregating \$5,000,000 on or before May 29, 1947. The three-party agreement and the second supplemental indenture dated as of January 15, 1947 (to be executed upon consummation of the borrowing of the additional \$5,000,000) provide for the extension of the maturity of the B debentures from 1951 to 1955, increase their annual interest rate from 2½% to 3%, and cancel the purchase agreement dated May 10, 1946 which required the establishment of a Flight Equipment Fund.

The second supplemental indenture dated January 15, 1947 provides for annual sinking fund payments on the Series A debentures of \$500,000 on May 23, 1948; \$1,000,000 on May 23, 1949; and \$2,000,000 annually to and including May 23, 1955. The Series B debentures require sinking fund payments of \$500,000 on November 27, 1948; \$1,000,000 annually to and including November 27, 1953, and \$2,000,000 on November 27, 1954.

Additional sinking fund payments are required annually beginning November 27, 1948 in an amount equal to the excess of net income of the Company for the preceding year plus interest accrued on the subordinated convertible notes, over the fixed annual sinking fund payments set forth in the preceding paragraph, the total sinking fund payments to be limited, however, to an amount equal to the sum of \$4,000,000 multiplied by the number of fiscal years completed subsequent to December 31, 1946.

The debenture bonds are redeemable at the option of the Company prior to maturity at a premium varying from 3% on or before June 1, 1947 to ½% on or before June 1, 1955. The Series A debentures mature on June 1, 1955 and maturity of the Series B debentures will be extended under the supplemental indenture to December 1, 1955.

7. The Company's Federal income tax returns for the year 1944 and prior years have been examined by the Bureau of Internal Revenue. The Company obtained a refund in January 1947 of Federal income taxes paid for the years 1944 and 1945, such refund resulting from a carry-back of the operating loss for the year 1946.
8. All services performed by the Company for the United States Government under war contracts have been terminated at December 31, 1946. Renegotiation proceedings pursuant to the War Contracts Renegotiation Act have been concluded for the years 1942 and 1943 without refund to the Government. The Army Air Forces, Air Technical Service Command has advised the Company that their assignment to conduct renegotiation proceedings for the years 1944 and 1945 have been canceled and that while such cancellation does not operate as a release of liability under the Renegotiation Statute, no further action was contemplated.
9. Final contracts and agreements relating to landing fees, rentals, etc. payable in foreign countries have not been consummated in all instances. The Company's actual liability for such fees, rentals, etc., for customs duties, for foreign income taxes, employees' homes and other benefits accruing to employed Nationals, and other liabilities which may have accrued through laws or regulations of foreign countries, is not determinable.

The Company has made provision for such liabilities on the basis of estimates determined from various

sources and available information, and in the opinion of the management such provision is adequate.

10. The basis of computing depreciation on owned and leased DC-3 aircraft and related engines and radios was changed effective January 1, 1946 to extend the estimated life from various dates in 1946 to December 31, 1947. As a result of this revision the provision for depreciation on this equipment for the year ended December 31, 1946 was approximately \$765,000 less than would have been charged on the basis of depreciation rates used in the year 1945.
11. Operating expenses shown above have been reduced by the amount of \$1,711,273.95 representing the excess of International Division expenses during the three months ended March 31, 1946 over total International Division revenue of \$2,147,996.68 earned during that period. The excess of expenses over revenue was charged to International Division Extension and Development expense and, as set forth in Note 5, will be amortized over the remaining life of the Temporary Certificate of Necessity. Operating revenue and expenses shown above include the amount of \$2,147,996.68 in respect to operations of the International Division for three months ended March 31, 1946.
12. Commitments and Contingent Liabilities:
The Company has entered into contracts or commitments of substantial amounts for the purchase of aircraft and engines, parts, and accessories, but many of such contracts and commitments were canceled during January and February 1947. Cancellations had not been accepted by all vendors and the Company may be liable for damages resulting from such cancellations. The Company has also contracted for leasehold improvements on which the unexpended balance at December 31, 1946 amounted to approximately \$815,000. Domestic and foreign leases covering rental of property from one to ten years have been consummated, and some of the leased property is presently occupied by the Company and some is to be occupied when construction or alterations are completed. The Company is presently attempting to cancel many of the leases and contracts for construction of leasehold improvements, but the exact status or actual amount of liability is not presently determinable.
The City of New York has agreed to construct certain hangars and other site area improvements at Idlewild Airport at an aggregate cost of \$16,350,000, these facilities to be used and occupied by the Company. Annual payments covering the cost of the improvements are to be made by Transcontinental & Western Air, Inc. over a period of twenty-five to thirty years. The Company has also agreed to construct a hangar at Chicago airport at a cost of not less than \$250,000, such improvement to revert to the lessor at the expiration of the lease.
The Company subscribed to 10% or 500 shares of the authorized capital stock of Iranian Airways at a price of 10,000 rials each or a total of 5,000,000 rials. Only one-half of the authorized capital stock was issued by Iranian Airways and demand was made for payment of 50% of the stock issued. Transcontinental & Western Air, Inc. has paid \$25,000 representing one-half of the purchase price of 250 shares of stock and the remaining one-half is payable on call by Iranian Airways.
The Company is defendant in various lawsuits and claims, which in the opinion of counsel either do not involve damages in substantial amount or are adequately covered by the insurance carried by the Company.

TRANSCONTINENTAL & WESTERN AIR, INC.

TO THE STOCKHOLDERS AND EMPLOYEES:

The year 1947 has been one of consolidation and concentrated cost reduction, toward the goal of maximum operating efficiency, and to take full advantage of the route structure already developed by your Company.

During the year the Company placed in international service five additional DC-1's and acquired under favorable financing terms four additional Constellation airplanes which were placed in domestic service.

One of the year's most significant events was the decision to purchase 12 new long-range, trans-ocean Constellations. Despite current conditions which have not been generally favorable to financing, your management at the time of writing has brought to its final stage a financing program for these airplanes on a satisfactory long-term payment basis.

The new Constellations are scheduled to go into service on TWA's overseas routes during the spring and summer of 1948, with the complete delivery of the fleet by early fall. This will not only permit increased schedule regularity and better operations abroad, but will also allow those Constellations now flying abroad to be released to the domestic routes of the Company, thus increasing service and potential revenues throughout the entire system.

An enviable record of reliable service during the winter months of this year has been established by all types of Company equipment, and particularly by the Constellations.

The number of passenger miles operated by TWA in 1947 was 1,043,761,000 as compared with 852,998,000 operated in 1946. At the same time, and with a decrease in personnel, operating efficiency improved to such an extent that more flights were scheduled and completed, more seat-miles were flown, additional non-stop flights were inaugurated, and the over-all service to the traveling public was materially improved.

This same mark of achievement is reflected in the increased cargo carried: 10,822,229 ton miles of air mail were carried in 1947 as compared with 8,409,219 ton miles in 1946; 9,505,515 ton miles of air express were carried in 1947 as compared with 4,880,312 ton miles in 1946; 4,920,493 ton miles of air freight were carried in 1947 as compared with 2,216,688 ton miles in 1946.

During 1947 TWA received awards from the CAB of a new route and a number of additional stops to previously certificated routes enabling TWA's service to be extended to new passenger and trade areas. Nine new domestic stops and two additional international stops were inaugurated in 1947. These were: Wilmington (Delaware), Allentown-Bethlehem (Pennsylvania), Cleveland, Mansfield and Zanesville (Ohio), Richmond (Indiana), Louisville (Kentucky), Prescott and Grand Canyon (Arizona), Jerusalem (Palestine) and Bombay (India).

While TWA still has some route applications pending before the Civil Aeronautics Board, it is the policy of your Company to devote its efforts primarily to the development to the utmost of the earning potentials of TWA's existing route structure.

TWA has thus brought to an end the intense expansion period of the recent past, and will place increased emphasis on reaping the potential benefits of the costly but vital pioneering.

Factors beyond the Company's control contributed materially to the financial loss experienced during the year 1947. These outside factors include the continued increase in the general level of prices, government regulation and competition.

TWA Ex. 80, page 2
(TWA Annual Report-1947)

TRANSCONTINENTAL & WESTERN AIR, INC.

TWA's major items of expense have increased 29% since 1939, while at the same time the purchasing power of the dollar has decreased 49%. Had your company only kept costs in balance with the dollar depreciation, it would have experienced cost increases of nearly 50%.

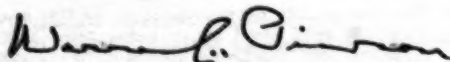
Another most important factor in the profit-and-loss equation is the fact that the United States mail revenue has been reduced from \$1.97 per ton mile during 1939 to a present rate of 45 cents per ton mile, or a decrease of 77%. This means that if the 1939 mail pay rate had been received by TWA in 1947, your Company's revenue would have been increased more than \$11,500,000.

As a result of competitive forces and efforts on the part of the Company to develop a large volume of traffic, our fares during 1947 were approximately the same dollar amount as in 1939 despite the fact that the purchasing power of the dollar today is 49% less than the 1939 dollar.

These problems of profitable operation are by no means peculiar to TWA. The recent reports of the President's Air Policy Commission and the Congressional Aviation Policy Board call attention to the serious financial condition of all air transport companies. This condition, it is pointed out in these reports, exists over and above any improvement which can come from within the industry as the result of increased operating efficiency. Thus the industry as a whole is faced with the need of immediate governmental action, resulting in an adequate payment for services rendered.

The consolidation of the Transcontinental and International Divisions accomplished during the year has knit the personnel of TWA more tightly together and it was solely through their collective effort that the improvements of 1947 were made possible.

The greatest single asset of TWA as a dynamic organization is the team of 13,000 men and women, dedicated to providing the traveling public with efficient and reliable air transportation.



Warren Lee Pierson, Chairman of the Board



LaMotte T. Cohu, President

March 29, 1948

TRANSCONTINENTAL & WESTERN AIR, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. The accounts receivable from the United States Government for passenger and mail transportation include \$828,831 representing charges for carriage of mail on the International route which have been accrued on the basis of a temporary rate. An order issued by Civil Aeronautics Board in November 1947, increased the temporary rate retroactively to February 1946, but determination of final rate and decision on the Company's applications for increase in rates for carriage of foreign as well as domestic mail had not been made or rendered by the Civil Aeronautics Board at December 31, 1947.

The amount due from governments outside the United States includes unpaid foreign air mail charges aggregating \$664,223 which may be advanced by the United States Government out of certain specified funds. The Company was contingently liable at December 31, 1947 in the amount of \$2,257,000 on previous advances, as any amounts advanced by the United States Government which are not collected from foreign countries are recoverable from the Company.

2. In January 1947 the Company granted options for the sale of all TACA Airways, S. A. stock presently owned. These options are exercisable at \$2 per share on or before January 31, 1948, \$2.50 on or before January 31, 1949, and \$3 on or before July 31, 1949. The option expiring on January 31, 1948 was not exercised by the holder. The excess of the cost of TACA stock over the option price of \$2 a share, amounting to \$1,625,750, was written off in the year 1946. An over-the-counter market bid price on TACA Airways, S. A. stock was \$1.50 per share at December 31, 1947 and 87½ cents per share on March 15, 1948. No provision has been made for any loss which may result from ultimate disposition of this stock.

Some of the investments in other associated foreign airlines are of doubtful value and the Company may suffer losses in excess of the \$50,000 reserve provided, on the sale or liquidation of these investments.

3. The unamortized portion of International Division development expense will be written off over the remaining period of the Temporary Certificate of Convenience and Necessity issued by Civil Aeronautics Board which expires on July 4, 1952. No additional charges were made to this account during the year 1947.

4. In 1946 the Company entered into a repurchase agreement with Lockheed Aircraft Corporation which provides in substance that the Company may return to Lockheed any or all of five Constellation airplanes on which 2½% notes were given in part payment, against cancellation of any then outstanding unmatured 2½% notes relating to the airplane or airplanes so returned or, if the principal of any such notes shall have been prepaid or Lockheed shall not then be the owner of said notes, the Company may require Lockheed to

pay it an amount equal to the principal of said notes prepaid and the principal of any such notes outstanding and held by others.

In May 1947 the Company issued installment promissory notes, secured by chattel mortgages, of an aggregate amount of \$2,815,180 in part payment of the purchase price of four additional Constellation airplanes.

5. Under the indenture dated December 1, 1945, covering the outstanding sinking fund debentures, consolidated earned surplus of the companies at December 31, 1945, amounting to \$9,113,848, is restricted as to payment of cash dividends. The indenture provides that no dividend other than stock dividends be declared if such dividend plus all other dividends declared subsequent to December 31, 1945 exceed the consolidated net income of the Company and its subsidiaries for the period subsequent to December 31, 1945 to and including the date of the declaration of such dividend.

A supplemental indenture executed in 1947 extended the maturity of the Series B debentures to December 1, 1955, and increased the annual interest rate of the Series B debentures to 3%. Series A debentures are due on June 1, 1956.

Sinking fund payments required on the Series A debentures are \$500,000 on May 28, 1948; \$1,000,000 on May 28, 1949; and \$2,000,000 annually to and including May 28, 1955; and on the Series B debentures are \$500,000 on November 27, 1948, \$1,000,000 annually to and including November 27, 1953, and \$2,000,000 on November 27, 1954.

Additional sinking fund payments for the retirement of Series A and B debentures are required annually beginning November 27, 1948 in the amount equal to the excess of net income of the Company for the preceding year plus interest accrued on the subordinated convertible notes issued in 1947 over the fixed annual sinking fund payments set forth in the preceding paragraph, the total sinking fund payments to be limited, however, to an amount equal to the sum of \$4,000,000 multiplied by the number of fiscal years completed subsequent to December 31, 1946.

6. The authorized number of shares of capital stock was increased during the year 1947 to 3,000,000 shares of a par value of \$5 each and the additional 2,000,000 shares were reserved for the conversion of the subordinated convertible notes which are payable only in capital stock of the Company.

Under the terms of an agreement dated December 26, 1947, Hughes Tool Company agreed to waive all rights to payment on account of the subordinated convertible 2½% notes in money or in any form other than stock of Transcontinental & Western Air, Inc. The notes and accrued interest thereon are convertible at any time on or before June 2, 1956 and the price per share at which such conversion shall be effected is the average of the prices at which the last sale of the Corporation's common stock was

TRANSCONTINENTAL & WESTERN AIR, INC. AND SUBSIDIARIES

made in the New York Stock Exchange on each of the last ten business days of such Exchange preceding the date of receipt by the Corporation of notice of conversion, unless such average shall be less than the par value, in which event the conversion price shall be such par value.

7. The Company has made provision for landing fees, rentals, customs duties, foreign income taxes, and other liabilities accrued on account of operations in foreign countries on the basis of actual liability or estimates based on available information. In the opinion of management such provision is adequate.

8. The basis of computing depreciation on flight equipment was changed effective January 1, 1947 to revise the estimated life as follows: On owned and leased DC-3 aircraft and related engines and radios from December 31, 1947 to June 30, 1949; on owned DC-4 aircraft and related engines from various dates in 1950 and 1951 to December 31, 1950; and on Constellation aircraft and related engines from various dates in 1953 to December 31, 1953. As a result of this revision the provision for depreciation on this equipment for the year ended December 31, 1947 was approximately \$1,850,000 less than would have been charged on the basis of depreciation rates used in the year 1946.

During the year 1946, the basis of computing depreciation on owned and leased DC-3 aircraft and related engines and radio equipment was changed effective January 1, 1946 to extend the estimated life from various dates in 1946 and 1947 to December 31, 1947. As a result of this revision the provision for depreciation on this equipment for the year ended December 31, 1946 was approximately \$765,000 less than would have been charged on the basis of depreciation rates used in the year 1945.

9. Commitments and Contingent Liabilities:

The Port of New York Authority has agreed to construct certain hangars and other site area improvements at Idlewild Airport at an aggregate cost of not to exceed \$16,350,000 subject to the Company's approval of plans for such hangars and improvements, these facilities to be used and occupied by the Company. Annual payments covering the cost of the improvements are to be made by the Company over a period of nine to twenty-nine years. The Company has also agreed to construct a hangar at Chicago airport at a cost of not less than \$250,000, such improvement to revert to the lessor at the expiration of the lease.

Commitments have been made for the purchase and delivery during 1948 of additional flight equipment and related engines and parts in an aggregate amount of \$15,000,000; however, such commitments are subject to consummation of present negotiations for long-term financing of such purchases.

The Company is defendant in various lawsuits and claims and has made provision for such known liabilities which in the opinion of management are not adequately covered by insurance.

10. Effective January 1, 1947 the Company revised its classification of income and expense accounts in accordance with Civil Aeronautics Board's revised system of accounts. For comparative purposes 1946 operating expenses of material amount have been reclassified to conform to the revised classification. The financial statements include TWA Agency Limited, a wholly-owned subsidiary not formerly consolidated.

TWA Ex. 81, page 1
(TWA Annual Report-1948)

TRANSCONTINENTAL & WESTERN AIR, INC.

TO THE STOCKHOLDERS AND EMPLOYEES:

Earnings

The company's consolidated net loss for the year 1948 was \$179,000 resulting from gross revenues of \$101,114,000. This compares with a net loss of \$8,080,000 during the previous year and a net loss of \$13,666,000 during 1946. The International Division produced a net profit of \$656,000 which was offset by a net loss of \$1,135,000 on the Transcontinental Division.

Improved results during the year 1948 occurred mainly through an increase of \$22,274,000 in gross revenues while the increase in overall costs amounted to \$13,325,000. The larger revenues included the sum of \$2,929,000 from higher rates for the transportation of mail, \$6,925,000 from increased passenger fares and the balance of \$6,420,000 arose from an increase of approximately 15% in the volume of traffic handled in 1948 as compared with 1947.

Efforts were continued during the year toward reducing expenses. A significant yardstick for the measurement of economy of operation in air transportation is the cost per available ton mile. During 1948 TWA operated at a cost of 39.91¢ per available ton mile compared with a cost per available ton mile of 42.15¢ in 1947. A substantial portion of the savings were made possible by the addition to service of fourteen Constellation airplanes during the latter half of the year with but nominal increases in the overhead category of expense. A further indication of increased economy is the reduction of 680 persons in total employment as of December 31, 1948 compared with the end of the prior year although available ton mileage flown during December, 1948 was greater by 26% than in the closing month of 1947.

Net non-operating expense of \$2,604,000 represented an increase of \$1,348,000 for the year. Of this increase, \$822,000 is attributable to a write-down of investments and \$275,000 represents loss on the sale of engines formerly used on DC-3 aircraft, both non-recurring items. The greater part of the balance represents interest on additional indebtedness incurred in purchase of aircraft.

Financial Position

Net Working Capital at the year end aggregated \$9,237,000. Cash was \$10,646,000. Included therein was foreign currency held in banks abroad of \$1,072,000, a major portion of which was required for working funds overseas. The conduct of the international operations involves acceptance of foreign currencies which for the greater part carry the right of conversion to U. S. dollars. An important proportion of operating expense, likewise, is in foreign funds. The year end foreign exchange position is considered satisfactory, although some burdensome restrictions on trade and travel are imposed by lack of free currency markets in many countries abroad.

Operating Property, which cost \$71,371,000, had been depreciated to a net book value of \$45,974,000. This plant value included a fleet of 122 airplanes consisting of 33 Constellations, 10 C-54's, 48 DC-3's and 5 Boeing Stratoliners owned by the Company and 24 DC-3's and 2 C-54's held under lease, plus the appurtenant facilities required in providing transportation at 71 points throughout the world.

Funded Debt totalled \$56,217,000 of which \$6,143,000 is payable during 1949. This represents a net increase of \$11,658,000 for the year, which arises out of the financing of twelve new type Constellation airplanes, negotiations for which were mentioned in the previous Annual Report, less debt repayments made on funded obligations. Previously outstanding purchase money obligations covering nine Constellation airplanes were consolidated with the financing for the twelve Constellations into a new chattel mortgage payable in fifty-seven monthly installments commencing on September 30, 1948. The Company entered into a conditional sales agreement with Hughes Tool Company covering two additional Constellation airplanes during February, 1949 on substantially the same terms.

During August, 1948, after approval by the stockholders of TWA the \$10,000,000, 2¾% subordinated convertible notes held by Hughes Tool Company plus \$344,230 interest accrued thereon were converted into TWA stock at a price of \$10 per share, thereby increasing common capital stock by 1,034,423 shares.

The assets of your Company at the year end were approximately \$77,617,000 while term debt aggregated \$6,217,000, all due within eight years. Since the year end, additional equity capital has been brought into the Company. Further plans for strengthening the Company's financial position are contemplated as the earnings record and capital markets justify.

TRANSCONTINENTAL & WESTERN AIR, INC.**Operations****Domestic**

An important addition was made to the Constellation fleet in the Transcontinental Division during the last half of the year, with favorable results on earning power. The addition of twelve new Constellations to the International Division during the year permitted the transfer of six Constellations to domestic service; and the two Constellations acquired from Hughes Tool Company were placed in operation toward the end of the year. Constellation service was added to Washington, Dayton, Philadelphia, Pittsburgh and Albuquerque and additional Constellation schedules were provided to other points on the system including a new non-stop flight from San Francisco to Kansas City and two non-stop schedules from Chicago to Los Angeles and San Francisco respectively. DC-3 and Stratoliner services were maintained without significant change.

An equipment interchange agreement was entered into between your Company and Delta Air Lines, providing one plane service between Detroit-Columbus on TWA's route through Cincinnati to Atlanta-Miami on Delta's route. Results to date have been encouraging, and your Company will sponsor further cooperative undertakings of this nature as opportunity arises.

While the domestic airline industry as a whole reported a decrease in revenue ton mileage during 1948, the Transcontinental Division had an increase of 9% in traffic volume. Of the major categories going to make up this total, passenger miles increased 4%, mail ton miles 17%, express ton miles 8% and freight ton miles 103%.

International

Your management is particularly gratified by the continued growth of the International Division. Service over the international route was inaugurated in February 1946 producing gross revenues for the year of \$17,000,000. For the year 1948 International Division revenue exceeded \$39,000,000, approximately 40% of System total.

The development of this service under the unsettled and chaotic post-war conditions existing abroad presented many difficult problems for management to overcome. Results for the year 1948 have justified in substantial measure the efforts expended.

To meet the increasing demand for transportation on its routes, your Company, during the summer of 1948, placed in International service the twelve new Constellation airplanes, previously referred to. The non-recurring pre-service costs were charged to current operating expense.

At the end of 1948, International Division schedules called for 30,000 airplane miles per day, 23.7% above the daily average flown for the month of December, 1947. Your Company's schedules now call for 31 Atlantic crossings weekly. Of the 17 flights originating in the United States, two terminate at Paris, two at Rome, nine at Cairo and four at Bombay.

During the year, unstable political conditions in several of the areas which your Company serves have acted as major deterrents to trade and travel, and have also deferred the attainment of originally anticipated costs of operation. The shortage of U. S. dollars abroad constitutes an additional problem, but it is hoped that the high standard of our operations will find favor, not only with the American citizen abroad, but with the traveling public generally in spite of this difficulty.

As with the Transcontinental Division it has been our aim to increase the daily utilization of our fleet. As a result daily average utilization during 1948 was 27% above the previous year.

Volume of International Division traffic, measured by revenue ton miles hauled, increased 16% over 1947; passenger miles increased 13%, mail ton mileage 18% and cargo ton mileage 40%.

Rates**Passenger Fares**

Domestic passenger rates were increased 10% during December, 1947, and 10% in September, 1948. As an offset, due to competitive requirements, the 10% extra fare on Constellation travel was eliminated and certain other promotional rates were established, including reduced family fares for travel during the early part of the week and the institution of a 5% round-trip discount.

Transatlantic passenger fares were increased \$25.00 on April 1, 1948, and minor adjustments were made in intra-European and Middle East fares on August 31. On October 1 a seasonal excursion reduction of 33-1/3%, applying to round-trip transatlantic travel, was placed in effect for the winter months.

TRANSCONTINENTAL & WESTERN AIR, INC.

Mail Compensation

Mail compensation for domestic operations is being paid under a temporary rate order issued by the Civil Aeronautics Board, May 7, 1948 retroactive to January 1, 1948. Payments are made on a sliding scale formula, varying as to volume carried, and produced an average of 60.2¢ per ton mile for the year.

Two upward revisions of International mail rates were also made during 1948 by action of the Civil Aeronautics Board under temporary rate orders. On May 25 a temporary rate was granted retroactive to January 1 of 60¢ per plane mile flown, varying downward on a sliding scale from a base mileage of 30,000 plane miles per day.

On December 22, 1948 a further upward adjustment under the foregoing temporary rate order was established retroactive to January 1, increasing the base rate of compensation to 85¢ per plane mile. International mail compensation is computed solely on a mileage base without regard to mail volume carried.

Routes

During the year, the Civil Aeronautics Board authorized your Company to serve the additional points: Santa Fe, New Mexico; Worcester, Massachusetts; Johnstown and Wilkes-Barre-Scranton, Pennsylvania; Baltimore, Maryland and Zurich, Switzerland.

The Current Year

On January 25, 1949 Ralph S. Damon was elected President and Chief Executive Officer of the Company, a post which had been vacant since June 1, 1948. Mr. Damon's entire business life has been devoted to the aviation industry and he brings to your Company long experience in airline operations.

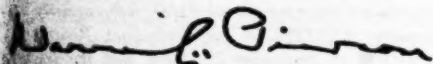
On February 16, 1949 rights were offered to stockholders to subscribe for 404,112 shares of additional common stock at \$10 per share in the ratio of one new share for each five shares held. The stock was fully taken up by stockholders and underwriters and, after expenses, approximately \$3,800,000 was thereby added to cash funds available for general corporate purposes.

On February 25, 1949 the Civil Aeronautics Board, recognizing the financial needs of the domestic airlines generally, issued a series of show-cause orders proposing further temporary mail pay increases to certain carriers. The order proposed to award TWA a lump payment of \$2,748,000, \$2,029,000 designed to eliminate the estimated operating loss incurred by the domestic operations during 1948, and \$719,000 on account of a sum of \$1,819,000 to reimburse losses incurred through the grounding of aircraft by the Civil Aeronautics Board's order in 1946. The balance of the grounding losses would be payable at the rate of \$33,333 per month, beginning January 1, 1949. That portion of the sums above relating to 1948 and prior periods are reflected in the financial results presented herewith.

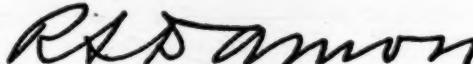
Increasing recognition is being accorded by all Governmental authorities of the necessity for a sound air transport industry in the interest of the nation's commerce, the postal service and national defense. The Civil Aeronautics Board by its recent mail rate actions has demonstrated a policy which is wholly in accord with the purposes of the Civil Aeronautics Act and has achieved considerable success in solving the basic difficulties of the industry during the past few years.

Your Company is being operated by a group of 12,000 men and women whose aim is to provide safe and dependable air transportation throughout the world. In the opinion of your management the results of 1948 indicate that prospects for the future are much more favorable for profitable operation than a year ago and it is felt that many of the difficulties which confronted the air transport industry and TWA for the past two years are behind us.

By Order of the Board of Directors:



Chairman of the Board



President

March 29, 1949

TRANSCONTINENTAL & WESTERN AIR, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. The balance sheet includes approximately \$2,351,516 of net current assets located in the foreign countries in which the Company operates. Of this amount approximately \$842,463 relates to countries having restrictions at December 31, 1948 on conversion into United States dollars. The Company has provided a reserve of \$122,000 for probable loss on conversion of these net current assets.

In addition, the Company has materials and supplies amounting to \$124,000 and ground equipment and spare parts of a net book value of \$836,998 located at Cairo, Egypt, which were acquired principally for use at a maintenance base, operation of which has been curtailed by the Company. A reserve of \$250,000 has been provided by the Company for loss on sale or disposition of the equipment, parts and supplies, a portion of which was sold to the Egyptian Government subsequent to December 31, 1948.

2. On February 25, 1949 the Civil Aeronautics Board issued an order directing the Company to "show cause" why the temporary air mail rates for its transcontinental system should not be increased by a lump sum payment of \$2,748,000 for the period March 14 through December 31, 1948 and a monthly lump sum payment of \$33,333 for the period on and after January 1, 1949.

The payment of \$2,748,000, if granted, represents \$2,029,000 additional compensation for transportation of air mail of TWA's transcontinental system in the year 1948 and \$719,000 to compensate TWA for the amortization, for the period from March 14, 1947 through December 31, 1948 of losses (estimated at \$2,000,000 by the Board for the purpose of fixing the temporary rate) incurred in 1946 because of the grounding of Constellation aircraft by the Administration of Civil Aeronautics.

The \$2,000,000 estimated cost of grounding is to be amortized over a five year period, but for purposes of establishing the temporary rate, amortization of \$400,000 a year will commence with March 14, 1947, the date of TWA's petition instituting mail rate proceedings. The monthly payments of \$33,333 shall continue to October 1, 1951, or until the final rate of air mail pay for the transcontinental system has been established. The final air mail rate or rates may be lower or higher than the temporary rates specified in the order to "show-cause." The Company's acceptance of the "show-cause" order was filed with the Civil Aeronautics Board in March 1949.

Effect has been given in the accompanying financial statements to the additional compensation granted under the "show-cause" order. Accounts receivable from United States Governments includes the lump sum payment of \$2,748,000 and air mail revenue for the year 1948 has been increased by the additional air mail revenue of \$2,029,000 applicable to the year 1948. Earned surplus has been credited with

the amount of \$1,819,000 representing the presently known amount recoverable on the loss from grounding of Constellation aircraft.

The unamortized portion of the Constellation grounding loss which amounts to \$1,100,000, representing the portion collectible in monthly payments of \$33,333 subsequent to January 1, 1949, has been classified as a deferred charge and will be written off over the period from that date to October 1, 1951 and the subsequent monthly collections of \$33,333 will be credited to mail revenue with the result that net operating results of subsequent years will not be affected unless payments by the Government are discontinued.

3. See note to profit and loss statement for rate increases granted during the year 1948. Proceedings are pending with respect to final rates on both domestic and international routes and the temporary rates are subject to retroactive increase or decrease upon the fixing of final rates by the Civil Aeronautics Board.
4. For purposes of computing depreciation, the Company, as of January 1, 1948, extended the estimated useful life of owned and leased DC-3 aircraft and related engines to December 31, 1950 or the end of the lease (as regards leased aircraft), whichever was sooner, with the result that the provision for depreciation on this equipment for the year ended December 31, 1948 was approximately \$500,000 less than would have been charged on the basis used for the year 1947.
5. Under the indenture dated December 1, 1945, relating to the outstanding sinking fund debentures, there are various restrictions on the payment of dividends, including a provision that cash dividends declared shall not exceed consolidated net income subsequent to December 31, 1945. Consolidated earned surplus at December 31, 1945 was restricted was \$9,113,948.

The Series A debentures mature on June 1, 1954, but sinking fund payments for their retirement in advance of maturity are required in amounts of \$1,000,000 on May 21, 1949 and \$2,000,000 annually thereafter to and including May 28, 1955, leaving a balance of \$16,500,000 payable on June 1, 1956, the maturity date.

The Series B debentures mature on December 1, 1955 and similar sinking fund payments for retirement of these debentures are required in amounts of \$1,000,000 annually beginning November 27, 1949 to and including November 27, 1953, \$2,000,000 on November 27, 1954, and the remainder of \$2,500,000 is payable on December 1, 1955.

Additional sinking fund payments for the retirement of Series A and B debentures are required annually beginning November 27, 1949, in an amount equal to the excess of net income of the Company since December 31, 1946, plus

TWA Ex. 81, page 8
(TWA Annual Report-1948)

TRANSCONTINENTAL & WESTERN AIR, INC. AND SUBSIDIARIES

Interest accrued on the subordinated convertible notes issued in 1947, over all sinking fund payments previously made, the total sinking fund payments to be limited, however, to an amount equal to the product of \$4,000,000 multiplied by the number of fiscal years completed subsequent to December 31, 1946, plus \$4,000,000 in respect of the then current fiscal year.

6. In 1946 the Company wrote down its 275,000 share investment in TACA stock by the amount of \$1,100,000 and also provided an additional \$525,750 for loss on 60,000 shares of TACA stock which the Company was obligated to purchase and did purchase in 1947. The foregoing constituted a provision for the loss which would result from exercise of options for the sale of 335,000 shares of TACA stock at \$2 a share.

In February 1949 options on 279,165 shares were canceled and 200,000 shares of TACA stock were sold at 50 cents per share. In 1948 the Company wrote off \$569,999 representing the remaining portion of its investment in TACA stock, less the proceeds of \$100,000 received in 1949 on the sale of 200,000 shares. The Company also reduced certain other investments in associated companies by an amount of \$251,903 with the result that such charges against income for the year 1948 amounted to \$821,902. Investments have been written down to estimated realizable values as indicated by latest available unaudited financial statements of the companies concerned.

7. The unamortized portion of International Division development expense will be written off over the remaining period of the Temporary Certificate of Convenience and Necessity issued by the Civil Aeronautics Board and expiring on July 4, 1952. No additional charges have been made to this account during the years 1947 and 1948.

8. In February 1949 the Company offered to its stockholders the right to subscribe at \$10 a share, an aggregate of 404,112 shares of its common stock. On or before March 7, 1949 stockholders purchased 375,036 shares and 29,076 shares were purchased by underwriters. The net proceeds realized by the Company from the sale of the 404,112 shares, after underwriters' commissions, but before expenses, amounted to \$3,955,198.

9. Commitments, Contingent Liabilities, and Litigation:

The Port of New York Authority has agreed to construct, subject to the Company's approval of plans, certain hangars

and other site area improvements at Idlewild Airport at an aggregate cost not to exceed \$16,350,000. Under the terms of this agreement, the Company will be entitled to the use of such improvements but will not acquire title to them. Annual payments covering the cost of the improvements (with interest at rates related to the interest rates paid by the lessor on the serial bonds—still to be issued—the proceeds of which shall have been used to finance the construction of the respective site area improvements, adjusted to reflect any premium received by the lessor on the sale of such serial bonds) are to be made by the Company over a period of nine to twenty-nine years.

On February 1, 1949 the Company entered into an agreement to purchase from Hughes Tool Company two Constellation airplanes at a cost aggregating \$1,090,000. After an initial payment of \$28,000 as of February 1, 1949 the Company is to pay the remainder in monthly payments of \$18,000 with interest at three per cent per annum on unpaid balance. The agreement provides that title to the planes shall not pass to the Company until the purchase price is paid in full. The Company received delivery of one of the airplanes in October 1948 and another in November 1948 and was permitted to use them without charge until the effective date of the contract.

The Company was contingently liable at December 31, 1948 in amounts aggregating \$2,782,000 on advances made by the United States Government for foreign air mail charges. Although the Company has suffered no loss in the past, any such payments not recovered by the Government from foreign countries are recoverable from the Company.

An action has been commenced in the Supreme Court of the State of New York, County of New York, through the service of a summons without complaint by Edward Blatt, et al., plaintiffs, against forty-six defendants who appear to be certain present or former officers and directors of TACA Airways, S. A., and affiliated companies and individuals and corporations who now are or formerly were stockholders thereof and others, including TWA, the basis of which will be unknown to TWA unless and until a complaint is served therein. The summons was served on TWA on February 24, 1948.

Various other lawsuits and claims are pending against the Company. The management and legal counsel know of no litigation pending or threatened against the Company which might result in liability which, over and above any insurance coverage in respect thereof, would materially affect the Company's financial condition or interfere with its operations.



Lockheed Constellation

Summary of the Year

Your Company's net profit in 1949 was \$3,708,845 which compared with adjusted net losses of \$1,277,591 in 1948 and \$5,376,525 in 1947.

Of the total earnings \$722,543 were accounted for by the Domestic Division and \$2,986,302 by the International Division. The financial position of your Company continued to improve in other respects and at the year-end the net working capital was \$16,081,334, including cash of \$15,364,119 and total assets of \$81,747,840.

During the year TWA's fleet flew 64,686,000 miles, a total of 1,513,000 persons were transported 1,226,861,000 passenger miles. Revenue ton miles handled during the year, including passengers, cargo and mail, set a new high of 158,057,000, an increase of 10 per cent over the previous year. All major categories of income increased with the exception of compensation for carrying United States mail which was reduced by 8 per cent.

Operations and Service

During the year operating refinements and increased on-time performance characterized your Company's domestic and international operations.

There occurred in 1949 a noteworthy development in domestic air transportation represented by the expansion of passenger service through utilization of high capacity aircraft at low fares which in the industry is commonly designated "air coach" or "sky coach" service. TWA currently conducts such operations at fares ranging from 4¢ to 4½¢ per passenger mile between major traffic centers, utilizing 38-seat Boeing Stratoliners and 60-seat Douglas DC-4's. These rates compare with approximately 6¢ per passenger mile charged on TWA's standard flights.

Three Constellations are being converted to a capacity of 81 seats and will replace the DC-4's in the transcontinental coach operation, after which the latter aircraft will be reassigned to take the place of the Boeing Stratoliners on shorter route segments.

The air coach type of accommodation is still experimental in the eyes of the industry and of the Civil Aeronautics Board. While designed to explore the possibilities of a wider travel market, it is too early to determine the extent to which this can be done profitably and without diverting first-class patronage.

Changes in domestic service during the year included inauguration of flights to Lancaster, Pa., and discontinuance of operations at Johnstown, Pa., which had been conducted under a one-year temporary certificate. At the request of the Civil Aeronautics Board, the certificate of public convenience and necessity for Route 38 between Phoenix, Arizona, and Las Vegas, Nevada, via Prescott, Kingman, and Boulder City, was transferred to Bonanza Air Lines, Inc. This transfer does not affect TWA's right to conduct transcontinental service through Las Vegas, Phoenix and Boulder City; however, service to the latter point has been suspended because of airport conditions.

Several changes have been made in your Company's international service pattern. Early in 1949 Zurich, Switzerland, was added as a new traffic stop between Paris and Rome. This is in addition to the stop at Geneva, Switzerland. Cessation of hostilities in the Middle East permitted resumption of service to Jerusalem, served through the Lydda airport. During the year ground facilities were installed at Milan, Italy, and service to that point began early in 1950.

The international passenger fare and cargo rate structure was substantially affected as a result of the sterling devaluation in September, 1949. While this did not bring about any reduction in the fares or rates between the United States and the European gateway cities of Shannon, Paris and Lisbon (which are established in terms of U. S. dollars), it has resulted in an appreciably lower yield from traffic within Europe, the Near East and Asia, including through traffic between the United States and those areas.

Flight Equipment

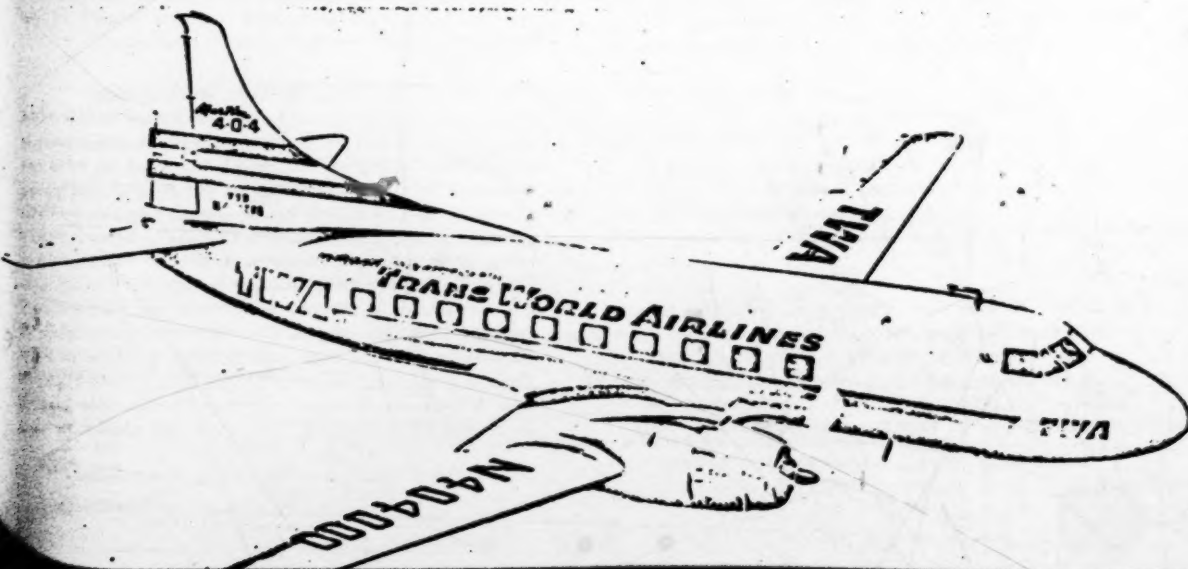
To maintain TWA's competitive position and accommodate the continually growing traffic, your Company entered into contracts during the year for the purchase of twenty additional Constellation aircraft of the latest type. Delivery of these airplanes is beginning at this time. This acquisition will be financed through a loan of twelve million dollars previously arranged with a group of seven banks and secured by chattel mortgage on the equipment.

Six additional Constellations were purchased through the Hughes Tool Company in February, 1950, three of which will be assigned to the international service and three to the domestic "sky coach" service. Hughes Tool Company made these aircraft available to TWA at cost. Receipt of the Constellations now on order will give your Company a total of sixty-one Constellations, the largest fleet of post-war four-engine equipment in the air transport industry.

Two additional DC-4 airplanes were purchased in 1949, and together with two of the Company's existing DC-4's, were modified by substantially increasing the seating capacity for use in the domestic "sky coach" service.

For some time TWA has been making plans for the replacement of its 21-passenger DC-3 aircraft serving its domestic routes. On March 7th your Company announced its intention to purchase thirty Martin Model 4-0-4 40-passenger airplanes in order to accomplish a part of this purpose. The Martin Model 4-0-4 is a new type of pressurized twin-engine airplane, delivery of which will begin in the Spring of 1951. In order to cover the interim period the Martin Company is leasing to TWA twelve Martin Model 2-0-2 aircraft now under construction, which will be returned when the 4-0-4 airplanes are delivered. Further steps for the improvement of your Company's airplane fleet are continually under consideration.

The Martin 4-0-4 is so stressed and designed that it can be converted to jet engine driven propellers when these power plants are released by the Military.



TRANSCONTINENTAL & WESTERN AIR, INC.**NOTES TO FINANCIAL STATEMENTS**

1. On August 10, 1949 the Civil Aeronautics Board issued an order granting an increase of \$5,039,333 in the temporary rate for carriage of United States mail on international routes for the period from February 5, 1946 through December 31, 1947.

In its determination of additional mail compensation the Board deferred certain costs relating to involuntary grounding of aircraft and increased the amount of international route development costs to be deferred. All such costs incurred by the Company were written off as expense during the years 1944 to 1947, inclusive. Civil Aeronautics Board, in its determination of additional mail pay, increased the amortization charges to cover the increased deferred pre-operating development costs and other station and grounding costs. The Company adjusted its records to give effect to increased mail pay and to the deferment of the development and grounding costs as determined by the Board.

The unamortized portion of the International Division development expenses and of costs relating to involuntary grounding of aircraft, amounting to \$1,582,370 at December 31, 1949, will be written off over the remaining portion of the original five year period ending September 30, 1951 used by the Civil Aeronautics Board in its determination of temporary rates.

The temporary rates granted are subject to determination of final rates by the Civil Aeronautics Board and such final rate, or rates, may be higher or lower than the temporary rate fixed by the Board.

2. On February 7, 1950, the Civil Aeronautics Board issued a show-cause order proposing a reduction in rates of compensation to be paid Transcontinental & Western Air, Inc. for the carriage of mail on its international routes, retroactive to January 1, 1949. This order, if made final, would reduce mail revenue for the year 1949 by approximately \$1,800,000. The Company is opposing the proposed reduction, but the final outcome is not determinable at this time. Settlements made by the Post Office Department in 1950 covering international mail charges for November 1949 and subsequent months were based on the proposed reduced rates. Additional deductions have been made in 1950 by the Post Office Department from remittances covering billings from November 1949 to recoup alleged overpayments aggregating approximately \$1,365,000 applicable to the ten months ended October 31, 1949, such deductions amounting to \$1,000,000 on billings through February 1950.
3. Under the indenture dated December 1, 1945, relating to the sinking fund debentures, there are various restrictions on the payment of dividends, including a provision that cash dividends declared shall not exceed consolidated net income earned subsequent to December 31, 1945. Consolidated earned surplus at December 31, 1945 thus restricted was \$9,115,848.

The Series A debentures mature on June 1, 1956, but sinking fund payments for their retirement in advance of maturity are required in the amount of \$2,000,000 annually from May 28, 1950 to May 28, 1955, inclusive, leaving a balance of \$16,437,000 payable on June 1, 1956, the maturity date.

The Series B debentures mature on December 1, 1955 and similar sinking fund payments for retirement of these debentures are required in amounts of \$1,000,000 annually from November 27, 1950 to November 27, 1953, inclusive, and \$2,000,000 on November 27, 1954, the remainder of \$2,480,000 being payable on December 1, 1955.

Additional sinking fund payments for the retirement of Series A and B debentures are required annually beginning November 27, 1950, in an amount equal to the excess of net income of the Company since December 31, 1946, plus \$344,240, over all sinking fund payments previously made, the total sinking fund payments to be limited, however, to an amount equal to the product of \$4,000,000 multiplied by the number of fiscal years completed subsequent to December 31, 1946, plus \$4,000,000 in respect of the then current fiscal year.

4. No provision has been made for Federal income taxes as based on amended returns filed by the Company for the years 1946 to 1948, inclusive, the loss carry-over for prior years exceeds taxable net income for 1949.

The amended returns which give effect to air mail pay increases, adjustment of international route development costs and amortization thereof, and a revision of depreciation on flying equipment, are subject to review by the Bureau of Internal Revenue.

5. The balance sheet includes approximately \$190,000 of net current assets (representing foreign currency amounts of cash and accounts receivable, less accounts payable) located in the foreign countries in which the Company operates.
6. **Commitments, Contingent Liabilities, and Litigation:**
The Company has contracted to purchase twenty Model 749A Constellation aircraft at an aggregate cost of approximately \$19,000,000, delivery to be made between April 30, 1950 and January 31, 1951. Advance payments and deposits aggregating \$8,000,000 have been made by the Company on this purchase contract and arrangements have been made to borrow from a group of seven banks a maximum amount of \$12,000,000 to finance the balance of the purchase price of the twenty Constellation aircraft. A purchase contract was also executed as of February 1950 with Hughes Tool Company for purchase of six additional Constellation airplanes to be delivered in 1950. The total cost of approximately \$3,750,000 is payable \$100,000 upon delivery of each airplane and the balance in sixty monthly instalments. Contemplated acquisition of additional two

TRANSCONTINENTAL & WESTERN AIR, INC.

NOTES

engine aircraft is set forth in letter included in the annual report.

On September 12, 1949 the Company entered into an agreement with the Port of New York Authority covering a proposed lease at New York International Airport which provides, in part, that, upon appropriate demand and an advance payment of 10% to be made by TWA prior to December 31, 1952, the Authority will construct hangars for TWA at a cost not to exceed \$8,000,000. Under the terms of the agreement, the Company will be entitled to the use of such improvements but will not acquire title to them. Annual payments are to be made by the Company over a period of twenty-five years, the aggregate of which will equal 105% of the total cost of the hangars, plus interest at rates related to the interest rates paid by the lessor on its securities to be issued to finance the construction of the hangars.

The Company was contingently liable at December 31, 1949 in amounts aggregating \$668,000 on advances made by the

United States Government for foreign air mail charges, as any such payments not recovered by the Government from foreign countries are recoverable from the Company.

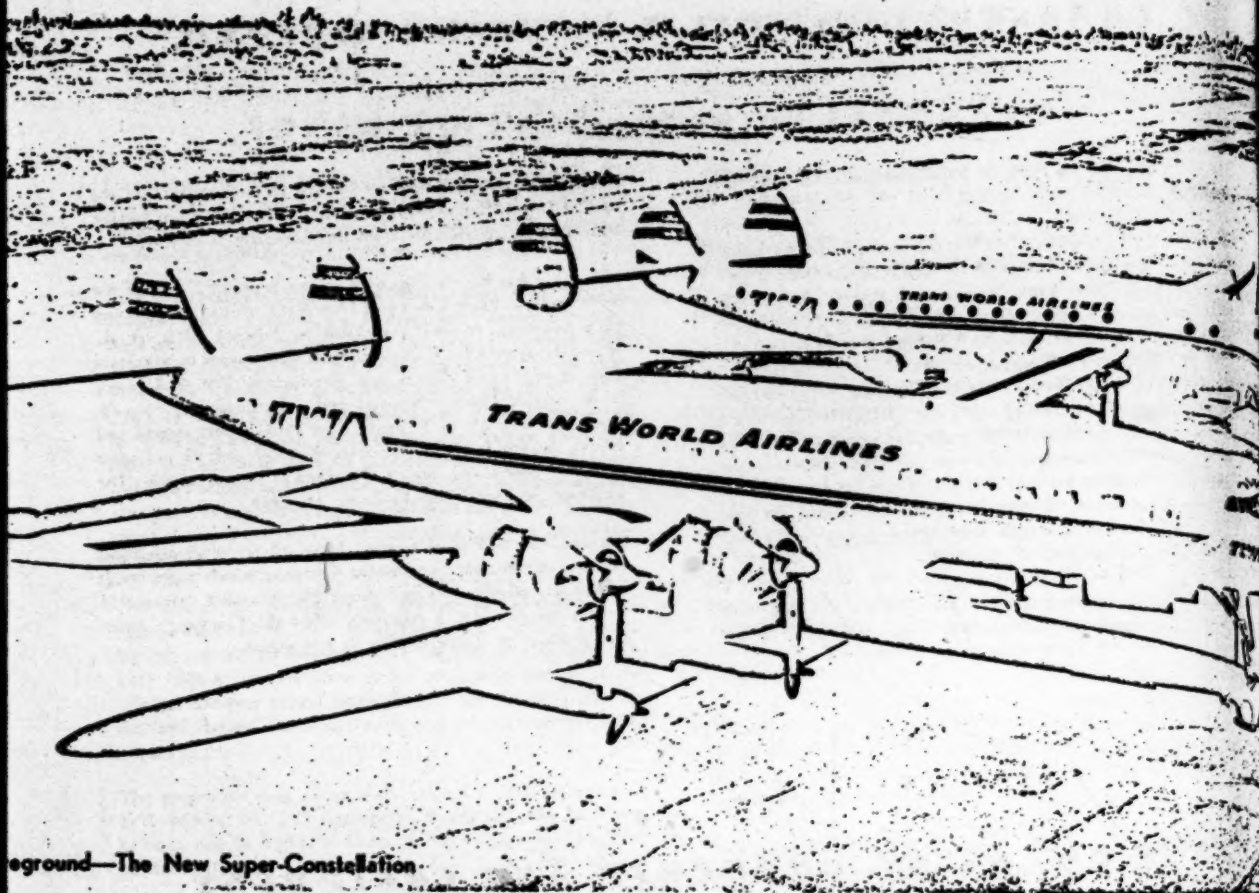
An action has been commenced in the Supreme Court of the State of New York, County of New York, through the service of a summons without complaint by Edward Blatz, et al., plaintiffs, against forty-six defendants who appear to be certain present or former officers and directors of TACA Airways, S. A., and affiliated companies and individuals and corporations who now are or formerly were stockholders thereof and others, including TWA, the basis of which will be unknown to TWA unless and until a complaint is served therein. The summons was served on February 24, 1948.

Management and legal counsel know of no other litigation pending or threatened against the Company which might result in liability which, over and above any insurance coverage in respect thereof, would materially affect the Company's financial position or interfere with its operations.

SUMMARY OF PROPERTY AND EQUIPMENT

AND RELATED RESERVES FOR DEPRECIATION, AMORTIZATION, AND OBSOLESCENCE
FOR THE YEAR ENDED DECEMBER 31, 1949 AND
NET BOOK VALUE DECEMBER 31, 1948

Classification of Property	December 31, 1949			
	Property Accounts	Reserves for Depreciation, Amortization, and, Obsolescence	Net Book Value	Net Book Value, December 31, 1948
Aircraft	\$37,889,002	\$19,327,391	\$18,561,611	\$22,017,255
Engines	11,144,726	4,794,831	6,349,895	7,971,301
Flight equipment spare parts and assemblies	6,985,481	1,518,337	5,467,144	6,316,274
Communication, hangar, shop, and other equipment	7,948,471	4,144,795	3,803,676	4,596,219
Furniture, fixtures, and office equipment	1,932,480	706,356	1,226,124	1,406,028
Buildings, improvements on land owned, and leasehold improvements	4,022,433	2,095,799	1,926,634	2,371,864
Leased aircraft conversion costs	153,083	153,083		339,456
Uncompleted work orders—not classified	732,439		732,439	699,348
Land	276		276	276
Total	\$70,808,391	\$32,740,592	\$38,067,799	\$45,918,061



eground—The New Super-Constellation

TO THE STOCKHOLDERS:

The improvement in your Company's sales and earnings continued during 1950. Despite a further slight reduction in compensation for transporting United States mail, consolidated operating revenues increased \$11,427,982 to a new high of \$117,073,341.

Financial Results

Net income before taxes was \$9,961,696 and after income taxes was \$6,494,713 or \$2.68 per share of stock. This compares with a profit of \$3,729,406 in 1949, and an adjusted loss of \$1,278,373 for 1948. The financial position improved in many respects. For the first time, total assets exceeded \$100,000,000 during 1950, and net worth increased to \$27,531,679 at the year end.

Of the earnings before taxes, the Domestic Division contributed \$5,627,486 and the International Division \$4,307,515.

Operations

The improved net income resulted in part from the greater earning capacity of aircraft utilized in 1950. With a decrease of 4.8% in revenue plane miles flown, total revenue ton-miles transported increased 11.7% to 185,587,000. Revenue passenger miles increased by 19.3% to a new record of 1.5 billions.

TWA Ex. 83, page 2
(TWA Annual Report-1950)

Notwithstanding the added traffic and the resumption of inflationary tendencies during the last half of the year, your Company managed to reduce operating cost per revenue ton-mile by 9.1% in 1950.

Service

On July 10, 1950, the Civil Aeronautics Board and the President of the United States approved the acquisition by Pan American World Airways of the routes and net assets of American Overseas Airlines, Inc. The same order added London, England, and Frankfurt, Germany, to TWA's international route certificate and authorized the merged Pan American system to serve Paris and Rome. TWA service to London and Frankfurt was inaugurated September 27, 1950. Service to Milan, Italy, also was added during the year. Effective November 1, 1950, all international schedules were operated with Constellation aircraft. TWA introduced "Ambassador" flights to London and Paris, operating non-stop from New York. These flights feature spacious accommodations, special menus and other services.

In the Domestic Division, service to Marion, Ohio, was inaugurated, and that to Springfield, Ohio, and Richmond, Indiana, discontinued. Service improvements included the institution of transcontinental Constellation sky-coach service; replacement of DC-3 and Boeing sky-coach aircraft with Douglas DC-4's; installation of Martin 202A's on medium-length flights east of Kansas City; inauguration of transcontinental DC-4 all-cargo service; and extension of Constellation standard fare service.

Equipment

Because of the continually growing traffic, the order for 20 Model 749A Constellations mentioned in last year's report was increased to 25, of which 20 have been received and the remainder are scheduled to be delivered by July, 1951, at which time TWA will have 65 Constellations. The order for twin-engined Martin 404's was increased to 40, of which 30 are scheduled to be delivered in 1951 and 10 in 1952. Orders were placed recently for 10 Model 1049 Super-Constellations to be delivered early in 1952. The Super-Constellations and the Martin 404's will be designed for installation of jet-driven engines when they are obtainable commercially. When 30 Martin 404's have been received, the 12 Martin 202A's presently operated under lease will be returned to the manufacturer.

During 1950 the five Boeing Stratoliners were retired with a perfect 10 year safety record and 10 DC-3's that had been removed from scheduled service were sold; the balance of the DC-3's will be removed from service following delivery of the Martin 404's.

Financing Equipment Procurement

Funds for the procurement of the Martin fleet and the Super-Constellations will be provided 40% from cash and 60% by loans from a group of banks. These loans will be secured by chattel mortgages on the equipment and will be payable over periods of 50 months.

Regulatory Proceedings

As pointed out in last year's report, the mail compensation received by TWA since February 5, 1946, for the international services and since January 1, 1948, for the domestic services has been on a temporary basis, subject to retroactive revision either upward or downward. The Civil Aeronautics Board has issued several show-cause orders proposing retroactive reduction of the international mail compensation. Your management has resisted these proposed reductions and has urged the Board to determine permanent rates both for past periods and for the future. The ultimate outcome of these proceedings cannot now be determined.

Defense Activities

Upon the outbreak of hostilities in Korea, TWA was called upon to furnish four aircraft for the Pacific airlift, and later five DC-4's were leased for operation in that service.

For some time, representatives of the airlines have been engaged in joint studies with the responsible agencies of the United States Government to determine the mobilization pattern for air transport in the event of a greater national emergency. The subject matter of these discussions is classified information, but public statements of officers of the Government indicate an understanding of the necessity for continuation in wartime of the maximum possible amount of air transport under private civilian management.

Retirement Plan

Effective June 1, 1950, TWA installed a retirement plan for its officers and employees, pursuant to approval at the last meeting of stockholders. This plan provides for contributions by the Company and the employee toward the purchase of an annuity on the employee's retirement, except that the Company assumed the obligation of all payments accrued for service periods before the effective date of the plan. About 80% of the eligible employees are now participating in the plan.

The Outlook

The present outlook for domestic airline traffic in 1951 appears favorable; the trend in international traffic, because of its sensitivity to developments abroad, is more difficult to foresee but has started well in 1951.

Under the Excess Profits Tax Act of 1950, TWA would not be subject to excess profits taxes until income before income taxes increased substantially over the 1950 level.

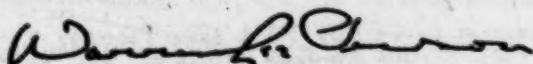
Appreciation

The balance sheet accompanying this report does not record the value of TWA's greatest assets, which are:

1. A loyal, devoted and highly skilled corps of officers and employees, who have worked untiringly at home and abroad in TWA's interests.
2. The resultant good will of our patrons and of the communities which we serve, earned through years of good service and understanding.

Your Company's fleet includes the most modern aircraft available, and will be improved by the new equipment on order. The safety, comfort, courtesy and reliability of TWA's services in the United States, Europe, Africa and Asia are available at surprisingly low prices. Your management suggests you use these services whenever you travel or ship, and urge your friends to do likewise.

By Order of the Board of Directors:



Chairman of the Board



President

March 28, 1951

**TRANS WORLD AIRLINES, INC.
AND SUBSIDIARIES****NOTES TO FINANCIAL STATEMENTS**

1. The Civil Aeronautics Board has issued show-cause orders proposing reductions in rates of compensation to Trans World Airlines, Inc. for carriage of mail on its international routes. Should these orders become final, mail revenue for the years 1949 and 1950 would be reduced by approximately \$1,815,000 and \$1,564,000, respectively, or a total of \$3,379,000. Of this amount, the Company has collected from the Post Office Department a total of \$1,546,000, which includes repayment of deductions made by the Post Office Department in 1950 to recoup alleged overpayments. The balance of \$1,833,000 of the alleged excessive billings remains in accounts receivable from the United States Government as of December 31, 1950. The Company is opposing the proposed reduction in mail pay rates, but final outcome is not determinable at this time.

Domestic and international mail rates presently in effect are temporary rates which are subject to determination of final rates by the Civil Aeronautics Board and such final rates may be higher or lower than the temporary rates now in effect.

2. Under the indenture dated December 1, 1945, relating to sinking fund debentures, there are various restrictions on the payments of dividends, including a provision that cash dividends declared shall not exceed consolidated net income earned subsequent to December 31, 1945. Consolidated earned surplus at that date thus restricted was \$9,113,848.

The Series A debentures mature on June 1, 1956, but sinking fund payments for retirement in advance of maturity are required annually in the amount of \$2,000,000 through 1955, leaving a balance of \$16,457,000 payable on June 1, 1956, at maturity date.

The Series B debentures mature on December 1, 1955 and similar sinking fund payments for retirement of these debentures are required annually in the amount of \$1,000,000 through 1953, and \$2,000,000 on November 27, 1954, the remainder of \$2,480,000 being payable on December 1, 1955.

Additional sinking fund payments for the retirement of Series A and B debentures are required annually on November 27, in an amount equal to (a) the excess of net income of the

Company since December 31, 1946, plus \$344,240, over (b) all sinking fund payments previously made, the total sinking fund payments to be limited, however, to an amount equal to the product of \$4,000,000 multiplied by the number of fiscal years completed subsequent to December 31, 1946, plus \$4,000,000 in respect of the then current fiscal year.

3. The Company's Federal income tax returns for the years 1946 to 1949, inclusive, have been examined by the Bureau of Internal Revenue. The net loss carry-over for prior years as determined by such examination, amounting to \$1,050,000, was applied as a reduction of net taxable income in computing Federal income taxes for the year 1950. The Company is not subject to Federal excess profits taxes for the year 1950.

4. Commitments:

Under lease from the City of New York, assigned to The Port of New York Authority, and presently subject to the outcome of a suit for enforcement, the Authority is obligated to construct for the Company, as the Company may require, hangars and other site area improvements in Idlewild Airport at a cost not to exceed \$16,350,000. The construction cost, plus interest, is to be repaid the Authority over an extended period of time after completion of the facilities. On September 12, 1949 the Company executed a supplementary agreement, to become effective upon the happening of certain other events (namely, the withdrawal of a pending suit against the Authority for enforcement of the original lease agreement), under the terms of which the Authority has agreed instead to construct for the Company, hangars and related improvements, at a cost not to exceed \$8,000,000.

The Company was contingently liable at December 31, 1950, in amounts aggregating \$3,034,258 on advances made by the United States Government for foreign air mail charges, as any such payments not recovered by the Government from foreign countries are recoverable from the Company.

At December 31, 1950 the Company has contracted to purchase aircraft at an aggregate cost of approximately \$38,000,000. The amount of commitments on purchase of related spare parts is not determinable at this time. Advance payments on these contracts and cash segregated for purchase of this equipment amounted to \$11,456,606 at that date and

TRANS WORLD AIRLINES, INC. AND SUBSIDIARIES

NOTES (Continued)

in January 1951 the Company made an additional payment of \$3,211,728. Credit agreements have been entered into with a group of banks which will permit the Company to borrow a maximum of \$24,650,000, the loans to be secured by chattel mortgages on the related aircraft and spare parts.

Under the terms of agreements between the Company, Hughes Tool Company, and The Equitable Life Assurance Society of the United States, the Company agrees to sell sufficient shares of its unissued stock to realize aggregate net proceeds of \$10,000,000, of which \$3,000,000 is to be sold on or before December 31, 1951, and \$5,000,000 on or before December 31, 1952. Hughes Tool Company further agrees that if other purchasers are not available, Hughes, itself, will either purchase sufficient shares of stock to provide the net proceeds shown above, or lend said sums to TWA on subordinated convertible $2\frac{3}{4}\%$ notes. All obligations of Hughes Tool Company referred to above are subject to any approval of Civil Aeronautics Board which may be required by law.

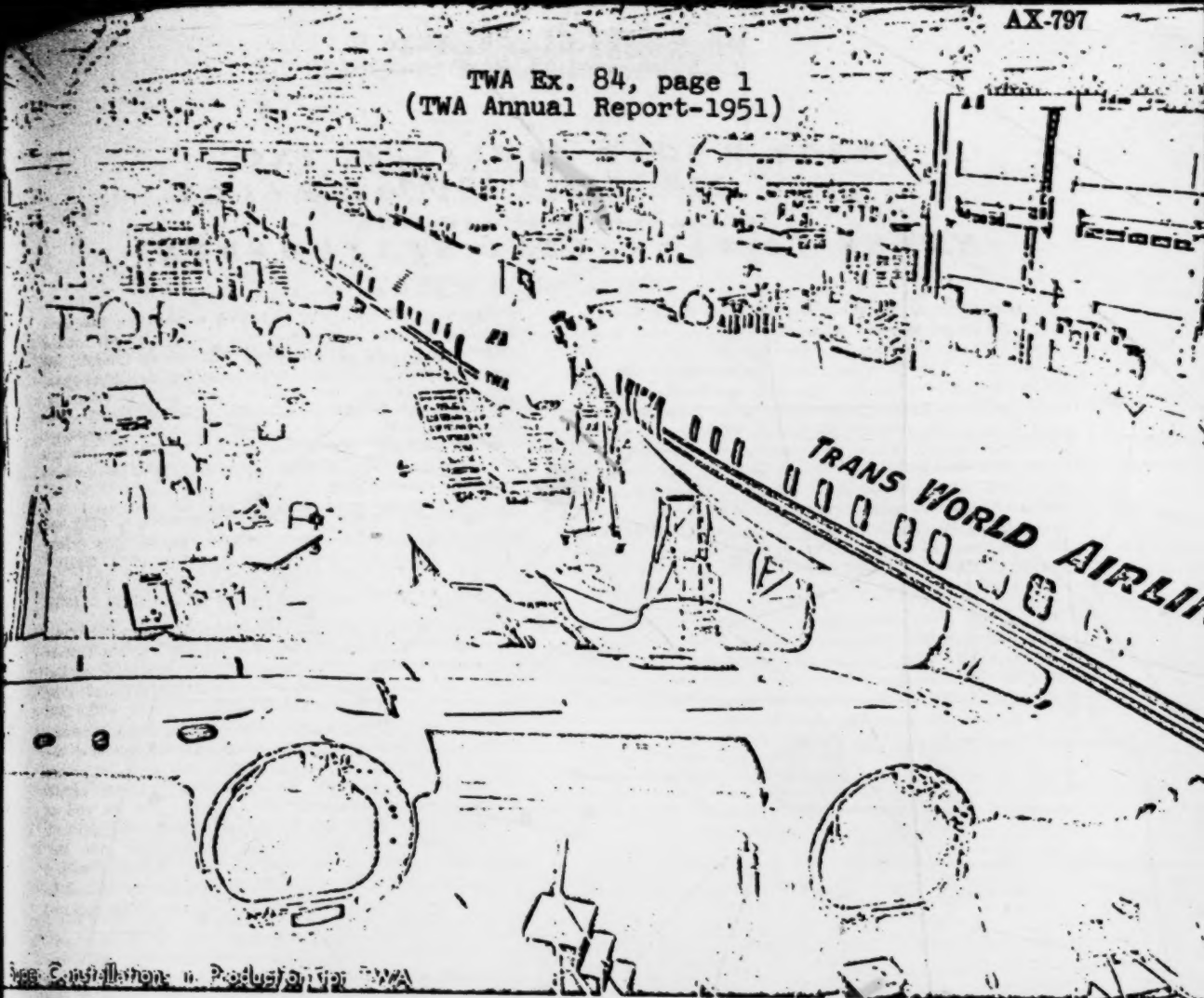
An action has been commenced in the Supreme Court of the State of New York, County of New York, through the service of a summons without complaint by Edward Blatz, et al., plaintiffs, against forty-six defendants who appear to be certain present or former officers and directors of TACA Airways, S.A., and affiliated companies and individuals and corporations who now are or formerly were stockholders thereof and others, including TWA, the basis of which will be unknown to TWA unless and until a complaint is served

therein. The summons was served on February 24, 1948.

TWA is one defendant, among other airlines and airline trade associations named defendants in the respective actions, in the following two actions: S.S.W. Incorporated is plaintiff in one action commenced in the United States District Court for the District of Columbia, alleging damages by a combination and conspiracies of the defendants in the restraint of air-borne trade and commerce, requesting judgment against defendants in the sum of \$1,500,000 plus costs, and requesting that the defendants be perpetually enjoined from alleged conspiracies to restrain and monopolize air transportation. The complaint of S.S.W. Incorporated was dismissed on the motion of the defendants, and an appeal taken from such dismissal. Slick Airways, Inc. is plaintiff in one action commenced in the United States District Court for the District of New Jersey alleging damages from conspiracies to monopolize, monopolies, attempts to monopolize, and contracts, combinations, and conspiracies to restrain interstate and foreign trade and commerce in air freight transportation, requesting judgment against the defendants in the sum of \$30,000,000 plus costs and requesting that defendants be perpetually enjoined from action similar to that complained of.

Management and legal counsel know of no other litigation pending or threatened against the Company which in their opinion would result in liability which, over and above any insurance coverage in respect thereof, would materially affect the Company's financial position or interfere with its operations.

TWA Ex. 84, page 1
(TWA Annual Report-1951)



TO THE STOCKHOLDERS:

Your Company enjoyed a record 1951. Sales and earnings were greater than in any previous year notwithstanding a number of factors, including the flood which affected our Kansas City Overhaul Base, increased operating costs, and a decrease in the rate of mail pay.

Operating revenues totalled \$144,912,048 resulting in net income, before taxes, of \$17,398,781. After income taxes, the net income was \$8,510,974 equal to \$3.50 per share of stock outstanding as of December 31, 1951.

Compared with 1950, as adjusted, the total revenue represented a 23.9 per cent increase, while the net profit was up 8.7 per cent over 1950.

Profit for TWA's domestic division, before taxes, was \$12,702,394 and for the international division, \$4,652,000.

Since the end of 1951, 242,987 shares of common stock in TWA have been offered to stockholders of record on February 27, 1952, at the subscription price of \$21.25 per share. As of March 14, 1952, the end of the subscription period, 215,046 shares have been subscribed. The Hughes Tool Company is committed to purchase sufficient unsubscribed shares to produce a total net proceeds of \$5,000,000, which will be added to the general funds of the Company.

The increased earnings for 1951 were due in part to a high level of business activity throughout the nation, as well as increasing mass demand for Sky Tourist flights, and public acceptance of air travel in general as a safe, comfortable, dependable and speedy means of transportation. Greater seating capacities and more efficient aircraft are also an integral part of the picture.

**TRANS WORLD AIRLINES, INC.
AND SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

1. Mail rates presently in effect for carriage of U. S. Government mail on international routes are temporary rates which are subject to retroactive and prospective change by the Civil Aeronautics Board. The Board in November 1949, February and December 1950, and in September 1951 issued "show cause" orders proposing reduction in rates of compensation for carriage of mail on the Company's international routes. Should these orders become final, mail revenue for the years 1949, 1950, and 1951 would be reduced by approximately \$1,815,000, \$1,364,000, and \$3,440,000, respectively, or a total of \$6,819,000 with a consequent reduction in income taxes of approximately \$735,100 for 1950 and \$1,745,800 for 1951, there being no effect upon income taxes for the year 1949. The Company is opposing these proposed reductions in mail rates, but the outcome is not presently determinable.

With respect to the proposed reduction of \$6,819,000 in international air mail pay, the Company had collected from the Post Office Department a total of \$3,179,950 and the balance of \$3,639,050 remained in Accounts Receivable from U. S. Government as of December 31, 1951.

The Company operates its international air routes under a temporary Certificate of Public Convenience and Necessity which expires on July 4, 1952. Application for renewal of the certificate on a permanent basis has been filed by the Company with the Civil Aeronautics Board.

Permanent air mail rates for the Company's domestic routes were fixed by the Board, with the Company's consent, in its order dated September 19, 1951. As a result of this order, domestic air mail revenue as previously reported for the period from March 14, 1947 to December 31, 1949 was decreased \$1,352,242 and for the year 1950 was decreased \$107,401. The decrease for the period ended December 31, 1949 was charged to earned surplus and for the year 1950 was applied in the accompanying financial statements as a reduction of air mail revenue.

2. The amount shown under Deferred Debits as Flood Clearing Account—Net represents the cost or net book value of engine parts, aircraft parts, and accessories, and other inventories and property lost or damaged (and not salvaged) in the flood which occurred on July 14, 1951 at Kansas City, and rehabilitation costs to December 31, 1951, less an aggregate of \$2,500,000 advanced by the insurers against recoverable loss. The actual amount recoverable from the insurers is not determinable at this date. Management, however, has provided, through charges to ground and indirect maintenance expense for the year ended December 31, 1951, a reserve of \$2,000,000 against aggregate uninsured loss from the flood, exclusive of additional expense resulting from loss of maintenance and overhaul capacity, the cost of which is charged to operations as incurred. Charges aggregating \$662,940 have been made against the reserve, for such losses, damages and rehabilitation costs presently appearing to be irrecoverable from the insurers.
3. Under the indenture dated December 1, 1945, relating to sinking fund debentures, there are various restrictions on

the payment of dividends, including a provision that cash dividends declared shall not exceed consolidated net income earned subsequent to December 31, 1945. Consolidated earned surplus at that date thus restricted was \$9,113,848.

The Series A debentures mature on June 1, 1956, but sinking fund payments for retirement in advance of maturity are required annually in the amount of \$2,000,000 through 1955, leaving a balance of \$16,437,000 payable on June 1, 1956, the maturity date.

The Series B debentures mature on December 1, 1955 and similar sinking fund payments for retirement of these debentures are required annually in the amount of \$1,000,000 through 1953, and \$2,000,000 on November 27, 1954, the remainder of \$2,480,000 being payable on December 1, 1955.

Additional sinking fund payments are required on November 27 of each year through November 27, 1955 in the amount of the excess of (a) the Company's net income from December 31, 1946 to the end of its fiscal year next preceding the November 27th on which payment is to be made plus \$344,240 over, (b) the sum of all sinking fund payments made during the same period. However, the total of the fixed and additional sinking fund payments need not exceed \$4,000,000 per year after December 31, 1946, the annual maximum being cumulative from that date to the end of the then current year. No additional sinking fund payment was payable in the year 1951 or in any prior year, but, based upon net income as reported herein, which is subject to final determination of international mail compensation as set forth in Note 1, payment of \$2,532,000 will be required on November 27, 1952.

4. The Company's Federal income tax returns for 1949 and prior years have been examined by the Bureau of Internal Revenue, but further adjustments may still be made for the years 1948, 1949, and 1950. The income tax accrual for the year 1950 as previously reported has been reduced by approximately \$1,396,000, resulting principally from the increased loss carry-over for 1948 arising from the following retroactive adjustments made by the Company in 1951: (a) Reduction in domestic air mail pay resulting from the order issued in September 1951 by the Civil Aeronautics Board, as mentioned in Note 1; and (b) accrual of \$1,734,144 as to 1948 for employees' vacation-pay, based upon a study in 1951 by the Company of its employment contracts and vacation policies, to reflect in the appropriate years vacation-pay as it accrues rather than as it is paid. The effect of the change in vacation-pay accrual in years other than 1948 was relatively minor.

The Company was exempted from Federal excess profits tax for the years 1950 and 1951.

5. Effective June 1, 1950 the Company adopted a retirement plan for its officers and employees which provides for contributions by the Company and the employees toward the purchase of an annuity on retirement. The past service cost of the plan is payable in ten equal annual installments into a purchase payment fund on deposit with the insurer. The present annual cost of the retirement plan is estimated at

TWA Ex. 84, page 10
(TWA Annual Report-1951)

TRANS WORLD AIRLINES, INC. AND SUBSIDIARIES

NOTES (Continued)

approximately \$2,150,000. The unpaid balance of past service benefits after applying two payments of \$658,000 each is estimated at \$5,344,000 at December 31, 1951. The plan may be discontinued in whole or in part by the Company at any time.

6. Commitments and Contingent Liabilities:

Under lease from the City of New York, assigned to The Port of New York Authority, and presently subject to the outcome of a suit for enforcement, the Authority is obligated to construct for the Company, as the Company may require, hangars and other site area improvements in Idlewild Airport at a cost not to exceed \$16,350,000. The construction cost, plus interest, is to be repaid the Authority over an extended period of time after completion of the facilities. On September 12, 1949 the Company executed a supplementary agreement, to become effective upon the happening of certain other events (namely, the withdrawal of the pending suit against the Authority for enforcement of the original lease agreement), under the terms of which the Authority has agreed instead to construct for the Company, hangars and related improvements at a cost not to exceed \$8,000,000.

The Company's Board of Directors has authorized an expenditure not to exceed \$3,000,000 for the construction of a hangar at the Chicago airport. Expenditures on this project to December 31, 1951 amounted to \$166,000.

At December 31, 1951 the Company had contracted to purchase aircraft at an aggregate cost of approximately \$28,544,000 and had commitments estimated at \$3,133,000 on purchase of related spare parts. Advance payments on these contracts and cash segregated for purchase of this equipment amounted to \$8,833,454 at that date. Credit agreements have been entered into with a group of banks which will permit the Company to borrow a maximum of \$22,850,000, the loans to be secured by chattel mortgages on the related aircraft and spare parts. At March 7, 1952 the Company had borrowed a total of \$4,046,907 of this amount in connection with the delivery of 12 Martin 404 aircraft and purchase of related spare parts.

In connection with a refinancing of The Glenn L. Martin Company, which has delivered 12 of a total of 40 Martin 404 aircraft ordered for the Company's fleet, the Company has made an agreement (the effectiveness of which is contingent upon completion of the refinancing) to increase the price of such 40 aircraft by \$1,000,000 and to purchase additional Martin aircraft.

The Company was contingently liable at December 31, 1951, in amounts aggregating \$3,352,996 on advances made by the United States Government for foreign government air mail charges, any such payments not recovered by the Government from foreign countries being recoverable from the Company.

By agreements between Hughes Tool Company, the Company and The Equitable Life Assurance Society of the United States, the Company agreed to sell enough of its common stock to realize net proceeds of \$5,000,000 by March 31, 1952 and an additional \$5,000,000 by December 31, 1952. Hughes Tool Company agreed to purchase such stock if not otherwise sold. Under certain conditions, Hughes Tool Company may lend the Company all or part of the required amounts on subordinated convertible notes of the Company. In February 1952 the Company offered its stockholders rights to subscribe to 242,987 shares of common stock at \$21.25 per share on or before March 14, 1952.

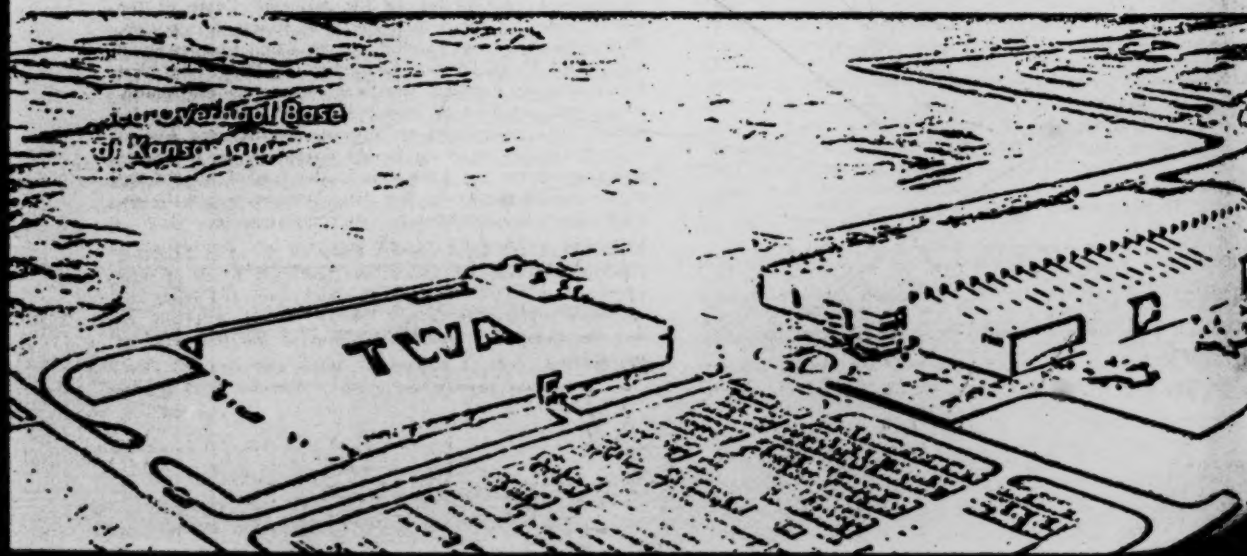
An action has been commenced in the Supreme Court of the State of New York, County of New York, through the service of a summons without complaint by Edward Blatz, et al., plaintiffs, against forty-six defendants who appear to be certain present or former officers and directors of TACA Airways, S.A., and affiliated companies and individuals and corporations who now are or formerly were stockholders thereof and others, including TWA, the basis of which will be unknown to TWA unless and until a complaint is served therein. The summons was served on February 24, 1948.

TWA is one defendant, among other airlines and airline trade associations named defendants in the respective actions, in the following two actions: S.S.W. Incorporated is plaintiff in one action commenced in the United States District Court for the District of Columbia, alleging damages by a combination and conspiracies of the defendants in the restraint of air-borne trade and commerce, requesting judgment against defendants in the sum of \$1,500,000 plus costs, and requesting that the defendants be perpetually enjoined from alleged conspiracies to restrain and monopolize air transportation. The complaint of S.S.W. Incorporated was dismissed on motion of the defendant. On appeal the dismissal was reversed and the District Court was ordered to retain jurisdiction while S.S.W. Incorporated sought relief from the Civil Aeronautics Board. S.S.W. Incorporated has applied to the Supreme Court of the United States for a writ of certiorari to review this decision. Slick Airways, Inc. is plaintiff in one action commenced in the United States District Court for the District of New Jersey alleging damages from conspiracies to monopolize, monopolies, attempts to monopolize, and contracts, combinations, and conspiracies to restrain interstate and foreign trade and commerce in air freight transportation, requesting judgment against the defendants in the sum of \$30,000,000 plus costs and requesting that defendants be perpetually enjoined from action similar to that complained of.

Management and legal counsel know of no other litigation pending or threatened against the Company which in their opinion would result in liability which, over and above any insurance coverage in respect thereof, would materially affect the Company's financial position or interfere with its operations.

... a year of Growth

	1953	1952
	(000's)	
Services Sold	\$187,221	\$160,702
Employment Costs	77,014	65,806
Products and Services Bought	71,990	59,648
Wear and Obsolescence of Facilities	23,465	17,010
Interest and Financial Costs (Net)	800	1,055
Taxes (Including Federal Taxes on Income)	8,888	9,521
Total Costs	\$182,157	\$153,040
Net Income	\$ 5,064	\$ 7,661
Shareholders Equity	\$ 56,804	\$ 51,699



TO THE STOCKHOLDERS:

Your Company's traffic and revenues in 1953 were the highest in its history with gross revenues totalling \$187,220,806 as compared with \$160,702,790 in 1952. Net income after income taxes was \$5,064,392, or \$1.52 per share of stock outstanding at the year end. This compares with earnings of \$7,660,588 or \$2.30 per share in 1952.

The failure of net income to keep pace with the growth of the Company's business resulted primarily from two factors; an increase of \$6,454,781 in depreciation charges resulting from additions to the airplane fleet and the continuation of temporary mail rates applying to the international division.

TWA's policy has been to utilize the Certificates of Necessity, which were granted to the Company on equipment purchased since January 1, 1950. They permit accelerated depreciation, for income tax purposes, over a period of five years. The income tax payments deferred by this policy amounted to \$1,504,194 in 1953; but this amount, in addition to provision for current income taxes, has been charged against 1953 income. Depreciation charges are expected to decline about \$3,200,000 in 1954.

As mentioned in last year's report, the temporary mail rate in the international division was designed by the Civil Aeronautics Board to yield no return on TWA's investment in that division. Actually, in 1953 the international division with gross revenues of \$52,618,758, incurred a net loss of \$155,390 before provision for income tax; whereas the domestic division on a non-subsidy mail pay basis, with revenues of \$134,443,792, earned a profit before income tax of \$10,051,876.

Your management has repeatedly urged upon the Civil Aeronautics Board that its temporary rate policy is unfair, especially in view of the fact that no permanent rate has been established during the entire eight years of TWA's international operation. A hearing covering a permanent rate, both retroactive and future, was completed in March, 1953, but no decision has yet been issued. The Company's officers continue to point out to the Board the urgency of reaching a final and equitable decision in this matter.

Net Worth

The stockholders' equity in the Company was \$56,804,316 or \$17.04 per share of stock outstanding at the year end, compared with \$15.53 per share at the end of 1952. This compares with book value of \$5.04 per share (for a smaller number of shares) at the end of 1948.

Finances

The Company's finances were strengthened during the year. Net working capital was \$654,956—a decrease of \$3,188,806 from the end of 1952. However, during the period a total of \$6,276,260 was segregated into a special fund representing advance payments and cash and Government securities dedicated to the defraying of the purchase price of airplanes contracted for and to be delivered during 1953. Payments of \$18,613,003 during the year reduced total debt to \$41,883,042 as of December 31. Of this remaining total, \$14,663,909 is scheduled to be paid in 1954.

Property and Equipment

Throughout 1953 TWA had in service the fleet of new aircraft on which deliveries were completed in 1952. The Company currently has on order 20 new Super Constellations for delivery early in 1955, at a total estimated cost, including spare parts, of \$46,000,000. These airplanes, which will be powered by the latest turbo-compound engines, will be able to attain speeds competitive with comparable aircraft. They will be equipped with luxury appointments to maintain the prestige of TWA's first class, long range service in both the international and domestic divisions. Also, their entry into the first class service will permit conversion of additional airplanes from the existing fleet for Sky Tourist service. To finance the new airplanes, the Company has arranged a bank credit of \$25,000,000 with the balance to be provided from Company funds.

Negotiations continue with the City of Kansas City, Missouri, for the construction and lease to TWA of new airplane and engine overhaul shops to be located at their new industrial airport. Progress on these negotiations during the past year has been slow, but it is hoped that construction can begin during the present year.

Routes

During 1953 the Company extended its international operations from Bombay, India to Colombo, Ceylon. Due to disturbed political conditions, the Company has never inaugurated service under its temporary certificate authorizing it to operate beyond Colombo to Shanghai. It is now prosecuting an application to substitute Tokyo for Shanghai and to make other temporary changes in intermediate points which would make it possible to institute service on this segment of our routes.

The Company now operates certain of its international flights to Lisbon, Madrid and Rome; to London and Frankfurt; and others to Paris and points in Switzerland, Italy and beyond. It has applied to extend the flights that now terminate at Frankfurt so as to connect with the other services at Zurich, Switzerland in the same manner the schedules to Lisbon connect with Rome. This integration of services will enable the Company to provide more efficient and economical operations.

Domestically, your Company is actively prosecuting a number of route applications to provide additional service to the cities of Cleveland, Detroit, Tulsa, Oklahoma City and Denver.

In 1953 the Company, in conjunction with Delta-C&S Airlines, inaugurated through service between New York and Houston via intermediate points. This service is provided under an equipment interchange agreement approved by the Civil Aeronautics Board in 1952.

During 1953 the Civil Aeronautics Board, by a 3 to 2 decision, reversed its earlier approval of an equipment interchange between TWA, Eastern and Braniff which would provide a through southern transcontinental service between Miami and California points via Tampa, Houston, Dallas and Amarillo. However, the Board has under advisement the petition of all three airlines and the affected cities for reconsideration.

Outlook for 1954

The air transport industry has shown continued growth since 1948, but the pace appears to have slackened somewhat since the latter part of 1953. This occurred at the same time other industries reported a down-turn in business activity. Similar variations in the growth rate have been characteristic of airline history, and we continue to be optimistic about the future development of air travel, particularly the promotion of mass traffic at tourist rates. The increasing tendency toward longer paid vacations and the desire of Americans to travel at home and abroad leads us to believe that 1954 will show an increase in airline revenues. TWA as a leader in the air tourist market should be able to capitalize on this opportunity.

One problem still facing the industry is the continued imposition of 15% excise tax on domestic passenger fares and 3% on air cargo. The passenger tax was placed at its present level for the purpose of restricting travel during the war time, and there is no continued justification for this tax. A removal of this tax—amounting to an almost 15% reduction in all passenger fares—would provide a great stimulant to the air transportation industry.

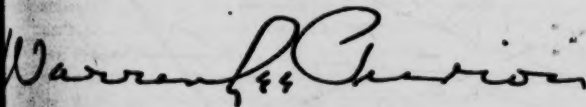
Your management and directors have considered the question of dividends but have decided at this time that the pressing financial demands for more modern and more expensive equipment plus the necessity of continuing to reduce the debt of your Company make it desirable to conserve all the cash possible in order that we may maintain a leading position in a fast-moving industry.

* * * * *

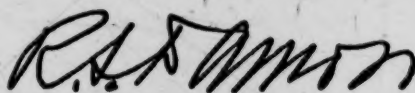
Your management desires to pay tribute to the efforts of its loyal, capable and enthusiastic employees and to express the confidence that in the coming highly competitive year of opportunity, this support will enable TWA to continue toward its goal of being the world's best airline. To that end, stockholders can also help by using and recommending TWA's services in the United States and overseas both for passenger travel and for the transportation of air mail, air parcel post, air express and air freight.

Presented on other pages in this report are significant statistics covering the present year's operations and a summary of those of the last ten years during which time your Company has shown progress in all phases of its activities.

By Order of the Board of Directors:



Chairman of the Board



President

March 15, 1954

TRANS WORLD AIRLINES, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. International mail rates presently in effect are temporary rates which are subject to retroactive and prospective change by the Civil Aeronautics Board.

Hearings to establish permanent International United States mail rates for the period from the beginning of operations in February 1946 to date, and for future operations, are presently in progress, but the outcome is not determinable at this time.

2. The Company's Federal income tax returns for 1949 and prior years have been examined by the Internal Revenue Service but on account of various subsequent adjustments, the years 1948 and 1949 are subject to re-examination.

In accordance with permission granted under certain necessity certificates, the Company is amortizing for income tax purposes, a portion of the cost of aircraft, engines, and its Chicago hangar, over a five year period instead of over the normal estimated life used as a basis for depreciation recorded in the accounts. Provision has been made from income for income taxes estimated to be payable in future years as a result of the aforesaid tax amortization.

The Company was exempted from Federal excess profits tax for the current and prior years.

3. The present annual cost of the Company's retirement plan for its officers and employees is estimated at \$2,600,000. The unpaid balance of past service benefits after applying four annual payments of \$638,000 each is estimated at approximately \$4,000,000. The plan may be discontinued in whole or in part by the Company at any time.
4. Under the indenture dated December 1, 1943 relating to sinking fund debentures, there are various provisions which presently restrict the payment of cash dividends.

The Series A debentures amounting to \$17,892,000 at December 31, 1953 mature on June 1, 1956 and the Series B amounting to \$2,157,000 mature on December 1, 1955. Sinking fund payments of \$2,000,000 for retirement of debentures in advance of maturity are required annually in May through 1955 on the Series A debentures and on

November 27, 1954 on Series B. Additional sinking fund payments based upon net income, as defined in the indenture, are required on or before November 27 of each year. The cumulative total of the fixed and additional sinking fund payments need not exceed \$2,000,000 per year on each series for the period after December 31, 1946.

An additional sinking fund payment of \$3,231,000 was made on November 5, 1953. Based upon net income for the year 1953, as defined in the indenture, no additional sinking fund payment will be required to be made on November 27, 1954.

5. In January 1954 the Company deposited \$1,800,000 U. S. Government securities and \$349,329 in cash in the 1954 Insurance Retention Fund.

6. Commitments and Contingent Liabilities:

At December 31, 1953 the Company had contracted to purchase aircraft at an aggregate cost of approximately \$40,000,000 and had commitments estimated at \$6,000,000 on purchase of related spare parts. Advance payments of \$1,655,180 have been made on the aircraft purchases and U. S. Government bonds and cash aggregating \$4,621,080 have been segregated for further payments on such purchases. Credit agreements have been entered into with a group of banks which will permit the Company to borrow a maximum of \$25,000,000, the loans to be secured by chattel mortgages on the related aircraft and spare parts. Delivery of these aircraft is presently scheduled for the first half of 1955.

TWA, along with other airlines, is a defendant in two civil anti-trust suits, one for damages of \$1,500,000 (in which proceedings are stayed until the plaintiff exhausts any remedies it may have before the Civil Aeronautics Board), and a second for treble damages of \$30,000,000.

Management and legal counsel know of no other litigation pending or threatened against the Company which in their opinion would result in liability which, over and above any insurance coverage in respect thereof, would materially affect the Company's financial position or interfere with its operations.

TRANS WORLD AIRLINES, INC.

10 Richards Road, Kansas City, Missouri

DIRECTORS

Fred W. Ayers	John A. Collings	Arthur B. Eisenhower	Warren Lee Pierson
John E. Bierwirth	Powel Crosley, Jr.	Oscar F. Holcombe	Harry Rogers
Palmer Bradley	R. S. Damon	A. V. Leslie	A. D. Simpson
E. O. Cocke	Noah Dietrich	Sidney Maestre	Thomas A. Slack
Lloyd Wright			

OFFICERS

Warren Lee Pierson	<i>Chairman of the Board</i>
R. S. Damon	<i>President</i>
John A. Collings	<i>Executive Vice President</i>
E. O. Cocke	<i>Vice President-Sales</i>
A. V. Leslie	<i>Vice President-Finance and Treasurer</i>
George H. Clay	<i>Vice President and Secretary</i>
Gordon L. Gilmore	<i>Vice President-Public Relations</i>
David W. Harris	<i>Vice President-Industrial Relations</i>
Thomas K. Taylor	<i>Vice President</i>
J. L. Weller	<i>Vice President and Assistant Secretary</i>
M. J. Plodinec	<i>Controller</i>
Ronald Duckworth	<i>Assistant Treasurer</i>
M. W. McQueen	<i>Assistant Treasurer</i>
E. Wiley Barker	<i>Assistant Secretary</i>
Myra E. Black	<i>Assistant Secretary</i>
C. W. Herre	<i>Assistant Secretary</i>

TRANSFER AGENT

The New York Trust Company
New York 15, New York

REGISTRAR

Bankers Trust Company
New York 15, New York

... Another Year of Growth

	1954	1953
	(000's)	
Services Sold	\$203,671	\$187,221
Employment Costs	80,523	77,014
Products and Services Bought	74,263	71,990
Wear and Obsolescence of Facilities	21,554	23,465
Interest and Financial Costs (Net)	1,363	800
Taxes (Including Federal Taxes on Income)	15,632	8,888
Total Costs	\$193,335	\$182,157
Net Income	\$ 10,336	\$ 5,064
Long-Term Debt	\$ 20,757	\$ 41,936
Stockholders' Equity	\$ 67,207	\$ 56,804



TO THE STOCKHOLDERS:

The year 1954 was the 17th consecutive one in which TWA's traffic and revenues showed an increase over the previous annual period. Net income after provision for taxes was \$10,336,000 — more than double the earnings for 1953. This was equal to \$3.10 per share on the 3,336,546 shares of common stock outstanding at year end as compared with \$1.52 for 1953.

Total operating revenues amounted to \$203,671,000 — an increase of 9% over 1953. Operating income was \$22,677,000 — up \$11,859,000 or 110% over the previous year. Of the system operating income, \$18,167,000 was derived from domestic operations on gross revenue of \$145,239,000 and \$4,510,000 from international operations on revenue of \$58,432,000. Operating expense included depreciation amounting to \$21,554,000 compared with \$23,465,000 the year before.

After a poor start in the early part of the year, economic conditions for air transportation generally improved throughout 1954. Public acceptance of low-fare Sky Tourist service continued to grow, and your Company benefited from its commanding position reached through pioneering in this field.

At the same time, careful control was maintained over expenses, so that while revenue ton-miles in both divisions of the Company increased 11.1% in 1954, total operating expenses increased only 2.6%. Consequently, unit operating costs per ton-mile of service performed in both divisions declined and reached the lowest level since 1945, despite all the price inflation in the intervening period.

Your management would like to point out that these results for 1954 were achieved without any subsidy from the United States Government. In fact, TWA's domestic operations have been completely unsubsidized for many years, and its international operations have not received a penny of subsidy since 1932. To the best of our knowledge, your Company has thus become the first airline under either the United States or any foreign flag to operate trans-oceanic services without benefit of Government subsidy.

Net Worth

The stockholders' equity in the Company at the end of 1954 had grown to \$67,207,000 or \$20.14 per share of stock outstanding. Stockholders' equity per share has increased 176% in the past five years.

Financing

Total borrowings at the end of 1954 were reduced to \$20,757,000 — the lowest level since 1945. As a result of the Company's favorable financial record in recent years, it became possible to refinance the existing debt structure, placing the maturities on a long-term basis.

A new \$40,000,000 general mortgage loan due in 1969 was consummated with The Equitable Life Assurance Society of which only \$15,000,000 was borrowed at the year end. This enabled TWA to pay off \$16,049,000 of debentures due in 1956 and to cancel the \$25,000,000 of five year bank credit which had been previously arranged to finance the 20 new Super-G Constellations being delivered in 1955. At the same time, bank loans amounting to \$10,125,000 were paid off and a \$10,000,000 revolving credit established extending to June 1, 1957. Against this credit \$2,000,000 had been borrowed at December 31, 1954, but has since been repaid.

The \$25,000,000 balance of the general mortgage loan will be obligated this year as the new airplanes are received.

Equipment and Facilities

Scheduled operations with the new Super-G Constellations will begin April 1, 1955, and the entire fleet of 20 airplanes will be in service by mid-summer. These airplanes are powered by the latest model of the Wright turbo-compound engine, and are the largest and most comfortable four-engined transports in service on any airline.

In order to maintain this leadership and to keep pace with the growth of demand for our services, careful study is being given to the latest proposed designs for high speed transport aircraft, including several which involve turbine and jet power plants.

To accommodate the increased fleet of aircraft and provide better service to patrons, TWA's ground facilities are constantly being improved. During 1954 the Company reached an agreement by which the City of Kansas City, Missouri, is financing and constructing at its new Mid-Continent International Airport, a centralized system overhaul base for TWA to replace the present base which has been outgrown. The new facilities were designed and planned by TWA and upon completion will be occupied under a 30-year lease. They are expected to create substantial economies in maintenance costs.

Long-term leases also were arranged in 1954 for new hangars at Greater Pittsburgh Airport; Lambert Field, St. Louis; Philadelphia Airport; and Orly Field, Paris. New airports and facilities are being planned at Toledo and Chicago, and negotiations continue for a new airport terminal building and an \$8,000,000 TWA hangar at New York International Airport, this last to be financed by the Port of New York Authority and leased to TWA.

Routes and Rates

In 1954 the Company received Civil Aeronautics Board approval for an equipment interchange agreement with Braniff International Airways providing through service from Houston and Dallas to Los Angeles and San Francisco via intermediate points. Service was started in January, 1955.

During 1954 a number of applications of the Company for new service were actively prosecuted before the Civil Aeronautics Board. These include proposals to serve the cities of Cleveland, Denver, Detroit, Oklahoma City and Tulsa, on which we are awaiting decision.

Still pending before the Civil Aeronautics Board is TWA's proposal to link its trans-Atlantic route which now terminates at Frankfurt with its other trans-Atlantic route through Zurich and Rome. This junction of the two separate segments would greatly improve service and efficiency of operations.

The Civil Aeronautics Board has decided to defer action on the application of the Company for a renewal of our certificate covering the route beyond India and Ceylon to Shanghai. Operations over this route have not been possible because of Communist aggression in the area. The action of the Board would still permit the inauguration of service by the Company pending final decision if the route actually becomes operable. At the same time, the Civil Aeronautics Board denied our application for a temporary route from India and Ceylon to Tokyo through non-Communist countries which the Company hoped to be able to operate, while Communist areas are closed. The Civil Aeronautics Board is being requested to reconsider its decision in this respect.

Several cases involving TWA's domestic and international mail rates are pending before the Civil Aeronautics Board. Early in 1954 the Board commenced a proceeding to establish new domestic mail compensation to become effective April 1, 1954, and proposed a revised rate formula which would reduce the Company's gross mail revenues by something over a million dollars a year at present volume. This matter is still pending.

International mail rates are complicated by a maze of government proceedings. On December 2, 1954, the Civil Aeronautics Board fixed "final" mail compensation for the Company's international operations back to the date of the inauguration of service in 1946, and for the future. As the decision is written it would require the Company to repay \$365,000 to the government for the years 1946-1954 which would mean a reduction for that period of approximately \$175,000 in net income after tax.

However, the decision contains a number of mathematical errors which, if corrected, will eliminate any recapture and will require additional payments from the government to TWA. These mathematical errors and serious questions of principle have been brought to the Board's attention in a petition for reconsideration filed by TWA. The Company has also petitioned the Court of Appeals for the District of Columbia for a review of the decision.

The decision of December 20, 1954, also provided that the mail compensation there determined for TWA's international division would be subject to further adjustment to the extent the Board shall find that TWA's domestic division earned any excess profits in the past. A proceeding on this subject is also pending before the Civil Aeronautics Board.

In addition, a third proceeding pending before the Board proposes to establish a new "service" rate (i.e., a rate free from subsidy) for TWA's international division, retroactive to April 8, 1954.

The Company has conducted international operations since 1946 and at no time since that date has it had final mail rates. In view of these proceedings still pending before the Civil Aeronautics Board, it appears likely that several more years may elapse before the situation becomes finalized.

Outlook for 1955

The year 1955 represents the 30th anniversary of TWA and its predecessor companies. Appropriate ceremonies keyed to a "30 Years of Service" theme are planned in conjunction with the activities of the Company throughout the year.

It is expected that 1955 will show the same trend of traffic expansion that has been evidenced in prior periods. However, as more new equipment is placed into service by all airlines, competition is continually becoming keener. Your management plans to take aggressive steps to ensure that your Company will maintain and improve its position in the entire industry.

One of these aggressive steps, begun in the second half of 1954, is TWA's new Time Pay Plan, an important selling tool which is expected to play an increasingly important part in broadening our market for both domestic and international services. Together with TWA's low-cost Sky Tourist services and tour programs, it provides a means for an increasing number of Americans to travel by air at home and abroad during their annual vacations.

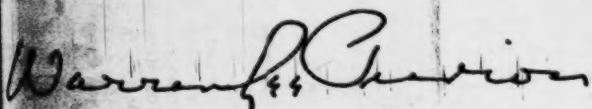
During 1954 TWA, in cooperation with the Post Office Department and other airlines, also continued the experimental transportation of surface mail by air between certain selected domestic cities. We are firmly convinced that the public interest requires dispatch of all long-distance domestic letter mail by air in the very near future.

There was a substantial increase in air travel commencing in the month of April, 1954. Your management believes this was due in part to the reduction in that month of the wartime-imposed excise tax on domestic passenger fares from 15% to 10% — the 3% tax on air cargo continuing unchanged to this date. We believe it a mistake that there should continue at this time any part of a tax designed for the sole purpose of restricting travel during an emergency period. The elimination of this tax is long overdue.

The year 1954 marked a peak in both the volume of traffic and the net earnings of your Company. This volume was due to the continuing support of the traveling and shipping public who find our services, schedules and equipment designed to their needs. The satisfactory earnings were due to the untiring efforts of the 15,000 persons comprising the TWA team who Sell, Serve and Save.

We enlist the support of our stockholders in using and recommending their world-wide transportation system.

By Order of the Board of Directors:



Chairman of the Board



President

TRANS WORLD AIRLINES, INC. AND SUBSIDIARIES

STATISTICS

YEARS 1945-1954

FINANCIAL STATISTICS (000 Omitted)

Operating Revenues:	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945
Passenger	\$174,238	\$159,878	\$135,292	\$114,408	\$88,275	\$78,143	\$72,426	\$62,020	\$45,416	\$24,003
Mail										
United States—Transcontinental	6,137	5,742	4,970	3,367	5,746	3,335	5,289	4,349	2,921	7,237
United States—International	4,395	3,823	3,568	6,363	9,069	9,229	9,292	6,476	3,274	—
Foreign Governments	2,482	2,784	3,200	3,113	3,072	2,947	2,355	2,256	2,244	—
Freight and Express	11,130	10,635	9,504	8,687	7,437	6,608	6,115	5,268	2,982	2,032
Excess Baggage	2,541	1,721	1,721	1,349	1,220	1,382	1,398	1,232	811	286
Other—Net	2,750	2,337	2,447	2,975	2,147	1,616	1,494	1,352	1,940	218
Total Operating Revenues	\$203,671	\$187,221	\$160,702	\$142,262	\$116,966	\$105,460	\$98,669	\$83,153	\$59,308	\$33,776
Operating Expenses:										
Wages and Salaries	\$77,100	\$75,906	\$62,921	\$53,102	\$43,382	\$44,378	\$47,803	\$40,739	\$36,924	\$13,317
Depreciation, Amortization, Obsolescence	21,354	23,463	17,010	12,125	11,263	9,488	8,577	7,789	5,775	2,048
All Other	82,340	79,032	65,984	61,035	48,860	44,889	45,142	38,064	26,448	12,916
Total Operating Expenses	\$180,994	\$176,403	\$145,915	\$126,262	\$103,505	\$98,755	\$101,522	\$86,592	\$69,147	\$30,481
Operating Income or (Loss)	\$22,677	\$10,818	\$14,787	\$16,000	\$11,461	\$6,705	\$2,853	\$3,439	\$9,359	\$3,295
Net Income or (Loss) After Taxes	\$10,336	\$5,064	\$7,661	\$7,660	\$7,882	\$3,736	\$3,193	\$4,696	\$8,987	\$1,909
Net Income or (Loss) Per Share	\$ 3.10	\$ 1.52	\$ 2.30	\$ 2.30	\$ 2.36	\$ 1.12	\$ (1.56)	\$ (1.41)	\$ (2.69)	\$.57
Operating Ratio (Ratio of Expenses to Revenues)	88.9%	94.2%	90.8%	88.8%	90.2%	93.6%	102.9%	104.1%	116.0%	90.2%
Selected Balance Sheet Items:										
Current Assets	\$41,646	\$43,670	\$30,829	\$41,550	\$34,928	\$31,114	\$24,616	\$19,993	\$18,644	\$19,904
Current Liabilities	37,557	43,015	46,932	39,804	26,389	17,461	15,379	12,515	19,823	12,103
Net Working Capital	\$4,089	\$655	\$3,897	\$1,746	\$8,539	\$13,653	\$9,237	\$7,478	\$1,179	\$7,801
Flight Equipment (Net)	\$2,078	\$5,058	\$79,924	\$47,858	\$44,008	\$30,379	\$36,844	\$29,309	\$30,414	\$12,865
Other Property (Net)	12,931	13,049	12,602	9,750	7,878	7,743	9,130	9,769	\$ 9,769	\$ 5,259
Total Property and Equipment (Net)	\$65,009	\$78,102	\$92,526	\$57,588	\$51,886	\$38,122	\$45,974	\$39,239	\$40,183	\$18,102
Stockholders' Equity	\$67,207	\$68,804	\$51,699	\$53,406	\$35,608	\$17,735	\$10,192	\$13,265	\$9,741	\$18,702
Shares of Common Stock Outstanding	3,337	3,333	3,330	2,423	2,427	2,423	2,021	986	986	985
Book Value Per Share	\$ 20.14	\$ 17.04	\$ 15.33	\$ 13.75	\$ 10.35	\$ 7.31	\$ 5.04	\$ 15.48	\$ 9.88	\$ 18.99

OPERATING STATISTICS (000 Omitted)

Number of Revenue Passengers	3,594	3,140	2,573	2,223	1,706	1,313	1,323	1,139	918	556
Miles Scheduled	89,787	83,600	71,247	65,820	60,358	62,846	66,948	57,634	44,152	33,807
Revenue Miles Flown	89,087	81,142	69,537	63,386	60,385	63,309	67,413	58,136	45,332	31,905
Revenue Passenger Miles	3,212,629	2,888,169	2,324,318	1,894,724	1,464,188	1,226,861	1,113,368	1,043,761	852,998	513,778
Available Seat Miles Flown	4,767,750	4,109,628	3,154,748	2,576,821	2,264,011	2,007,493	1,921,729	1,530,379	1,012,487	568,303
Revenue Passenger Load Factor	67.4%	70.3%	73.7%	73.5%	64.7%	61.1%	57.9%	68.2%	84.3%	90.4%
Revenue Ton Miles Flown:										
Passenger	309,051	278,432	225,262	184,637	143,423	120,154	109,032	102,875	83,750	31,378
Mail	23,506	19,676	16,994	17,715	16,348	13,133	12,655	10,822	8,409	16,211
Freight and Express	37,129	34,672	29,706	29,623	26,348	22,931	20,346	13,438	7,097	4,527
Excess Baggage	3,336	2,927	2,459	2,084	1,878	1,819	1,829	1,768	1,354	548
Total	373,022	335,707	274,421	234,081	188,587	158,037	144,082	136,980	100,390	72,662
Load Factor (Ratio of Revenue Ton Miles Flown to Available Seat Miles Flown)	78.2%	74.2%	72.8%	69.8%	61.2%	55.0%	53.8%	48.4%	39.7%	27.9%

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(TWA Annual Report-1954)

**TRANS WORLD AIRLINES, INC.
AND SUBSIDIARIES**

STATEMENT OF CONSOLIDATED INCOME

FOR THE YEARS ENDED DECEMBER 31, 1954 AND 1953

	... YEAR ENDED DECEMBER 31 ...	
	1954	1953
OPERATING REVENUES:		
Passenger	\$174,228,012	\$159,878,043
Mail:		
United States—Transcontinental	6,156,506	5,741,654
United States—International	4,382,687	3,823,239
Foreign governments	2,482,605	2,784,374
Freight and express	11,129,747	10,635,236
Other	5,291,738	4,358,260
Total	<u>\$203,671,295</u>	<u>\$187,220,806</u>
OPERATING EXPENSES:		
Flying operations	\$ 55,552,954	\$ 50,514,508
Ground operations	21,452,505	20,605,804
Maintenance	29,613,908	31,352,810
Provision for depreciation, amortization, and obsolescence	21,553,717	23,464,566
Passenger service	11,304,523	10,801,815
Sales, advertising, and publicity	28,399,602	27,568,215
General and administrative	7,853,228	7,405,592
Employees' welfare (pension, social security, etc.)	5,263,463	4,689,174
Total	<u>\$180,993,900</u>	<u>\$176,402,484</u>
GAIN FROM OPERATIONS	<u>\$ 22,677,395</u>	<u>\$ 10,818,322</u>
OTHER INCOME CREDITS:		
Interest, discounts, etc.	\$ 575,019	\$ 585,161
Miscellaneous	135,054	104,676
Total	<u>\$ 710,073</u>	<u>\$ 689,837</u>
Total	<u>\$ 23,387,468</u>	<u>\$ 11,508,159</u>
OTHER INCOME CHARGES:		
Interest on long-term debt, etc.	\$ 1,467,410	\$ 1,786,051
Net loss (gain) on sale or retirement of property	38,537	(504,460)
Miscellaneous	595,685	296,546
Total	<u>\$ 2,101,632</u>	<u>\$ 1,578,137</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	<u>\$ 21,285,836</u>	<u>\$ 9,930,022</u>
PROVISION FOR INCOME TAXES:		
Federal income taxes	\$ 9,048,917	\$ 3,111,571
Federal income taxes deferred—relating to accelerated amortization of emergency facilities	1,474,748	1,504,194
State and Foreign income taxes	426,039	249,865
Total	<u>\$ 10,949,704</u>	<u>\$ 4,865,630</u>
NET INCOME FOR THE YEAR	<u>\$ 10,336,132</u>	<u>\$ 5,064,392</u>

The accompanying notes to financial statements constitute an integral part of this statement.

TRANS WORLD AIRLINES, INC.
AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED EARNINGS
EMPLOYED IN THE BUSINESS

AND CAPITAL IN EXCESS OF PAR VALUE OF STOCK
FOR THE YEARS ENDED DECEMBER 31, 1954 AND 1953

.. YEAR ENDED DECEMBER 31 ..
1954 1953

EARNINGS EMPLOYED IN THE BUSINESS

BALANCE AT BEGINNING OF YEAR.....	\$17,781,518	\$12,721,517
NET INCOME FOR THE YEAR.....	10,336,132	5,064,392
Total.....	<u>\$28,117,650</u>	<u>\$17,785,909</u>
DEDUCT—Stock dividend—one share for ten at assigned value of \$15.30 per share, 303.9 shares in 1954 and 287 shares in 1953.....	4,650	4,391
BALANCE AT END OF YEAR.....	<u>\$28,113,000</u>	<u>\$17,781,518</u>

CAPITAL IN EXCESS OF PAR VALUE OF STOCK

BALANCE AT BEGINNING OF YEAR.....	\$22,357,193	\$22,327,397
ADD:		
Excess of market value over par value of capital stock issued under Employees' Stock Purchase Plan (3,121 shares in 1954, 2,870 shares in 1953).....	50,655	26,840
Excess of assigned value of \$15.30 per share over par value of capital stock issued as stock dividend.....	3,130	2,956
BALANCE AT END OF YEAR.....	<u>\$22,410,978</u>	<u>\$22,357,193</u>

SUMMARY OF PROPERTY AND EQUIPMENT

AND RELATED RESERVES FOR DEPRECIATION, AMORTIZATION, AND OBSOLESCENCE
AT DECEMBER 31, 1954 AND NET BOOK VALUE, DECEMBER 31, 1953

..... DECEMBER 31, 1954				
Classification of Property	Property and Equipment	Reserves for Depreciation, Amortization, and Obsolescence	Net Book Value	Net Book Value, December 31, 1953
Flight equipment, spare parts, and accessories.....	\$140,005,255	\$87,927,478	\$52,077,777	\$65,052,375
Ground equipment, buildings, leasehold improvements, etc.....	22,009,635	10,298,271	11,711,364	11,155,645
Uncompleted work orders—not classified.....	1,220,199	—	1,220,199	1,893,716
TOTAL.....	<u>\$163,235,089</u>	<u>\$98,225,749</u>	<u>\$65,009,340</u>	<u>\$78,101,736</u>

**TRANS WORLD AIRLINES, INC.
AND SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

1. A proceeding is pending before the Civil Aeronautics Board for the fixing of rates of compensation for the carriage of U. S. mail on TWA's transcontinental division applicable to the period on and after April 1, 1954. The Board has issued a "show cause" order which, if it becomes effective, would reduce transcontinental mail revenues for 1954 by \$587,000 with a consequent reduction in income taxes.

Permanent mail rates established by the Civil Aeronautics Board Order No. E-8833 dated December 20, 1954 on TWA's international routes are subject to adjustment, but only to the extent that transcontinental operations may have available excess earnings for offset against past subsidy requirements of the international division.

2. The Company's Federal income tax returns for the year 1952 and prior years have been examined by the Internal Revenue Service.

3. The present annual cost of the Company's retirement plan for officers and employees is estimated at \$2,800,000. The unpaid balance of past service benefits after applying five annual payments of \$658,000 is estimated at approximately \$3,400,000. The plan may be discontinued by the Company in whole or in part at any time.

4. In December 1954 the Company authorized an issue of \$40,000,000 principal amount of 3¾% Equipment Mortgage Sinking Fund Bonds to mature on December 1, 1969.

The Company sold on December 31, 1954 bonds of a principal amount of \$15,000,000 and the proceeds were used to retire the remaining outstanding Series A and B debentures.

The Bond Purchase Agreement dated December 30, 1954 provides for the sale by TWA of the remaining \$25,000,000 principal amount of bonds upon delivery to the Company of twenty new Lockheed Constellation Model 1049G aircraft and engines which the Company expects to receive on or before December 1, 1955. Aircraft and engines owned and the new Constellation 1049Gs have been mortgaged as collateral.

The Bond Indenture provides for fixed sinking fund payments of \$1,500,000 on June 1 and December 1, 1957 and semi-annually thereafter to and including June 1, 1969 and additional annual sinking fund payments based on consolidated net income but not to exceed \$2,000,000, are required beginning on June 1, 1957 to June 1, 1969.

The Company has also established a revolving credit of an initial maximum of \$10,000,000 with a group of banks. The credit will be reduced \$333,333 monthly beginning on January 31, 1955 and terminating on June 30, 1957. Bank loans of \$2,000,000 made in December 1954 under the revolving credit were liquidated on January 31, 1955.

5. In January 1955 the Company deposited \$2,000,000 in U. S. Government securities and \$171,635 in cash in the 1955 Insurance Retention Fund.

6. Commitments and Contingent Liabilities:

The Company has contracted to purchase aircraft at an aggregate cost of approximately \$40,000,000 to be delivered in 1955 and had commitments estimated at \$6,000,000 on purchase of spare engines, spare parts, and accessories for such new aircraft. Advances aggregating \$19,404,428 have been made and the balance of the purchase price will be paid with proceeds from the sale of the remaining unissued 3¾% Equipment Mortgage Sinking Fund Bonds and corporate funds.

TWA, along with other airlines, is a defendant in two civil anti-trust suits, one for damages of \$1,500,000 (in which proceedings are stayed until the plaintiff exhausts any remedies it may have before the Civil Aeronautics Board), and a second for treble damages of \$30,000,000.

Management and legal counsel know of no other litigation pending or threatened against the Company which in their opinion would result in liability which, over and above any insurance coverage in respect thereof, would materially affect the Company's financial position or interfere with its operations.

Cont

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(TWA Annual Report-1955)

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TRANS WORLD AIRLINES, INC.

TWA

1955

ANNUAL REPORT

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HARRISMAN RIPLEY & CO.
INCORPORATED



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The year at a glance

	1955	1954
	(000's)	
Services Sold	\$217,431	\$203,671
Employment Costs	89,038	80,523
Products and Services Bought	90,411	74,263
Wear and Obsolescence of Facilities	20,276	21,554
Interest and Financial Costs (Net)	299	1,363
Taxes (Including Federal Taxes on Income) ..	12,000	15,632
Total Costs	\$212,024	\$183,335
Net Income	\$ 5,407	\$ 10,336
Long-Term Debt	\$ 35,000	\$ 20,757
Stockholders' Equity	\$ 72,621	\$ 67,207

TO STOCKHOLDERS AND EMPLOYEES

A Letter About Finances in 1955 and the Outlook for 1956

Your company's gross operating revenues attained a new high of \$217,431,000 for the year 1955, representing an increase of 7% over the preceding year.

A decline of more than \$2,600,000 in mail revenue, together with the loss of two Martin aircraft, and non-recurring costs related to the introduction of 20 Super-G Constellations, aggregating \$2,500,000, and a slight increase in the operating costs per revenue ton mile available were the chief factors which reduced net income after taxes from \$10,336,000 in 1954 to \$5,407,000 in 1955. This is equivalent to a reduction from \$3.10 per share of outstanding common stock in 1954 to \$1.62 in 1955. Charges for depreciation were \$20,276,000, compared to \$21,554,000 for 1954.

The stockholders' equity increased to \$72,621,000 or \$21.76 per share at December 31, 1955, compared to \$67,207,000 and \$20.14 per share respectively at the end of 1954.

Acquisition of the 20 Super-G aircraft from Lockheed and other flight equipment purchased during 1955 added

\$52,120,000 to the flight-equipment account. Of this amount, \$20,000,000 was financed under the mortgage loan arranged in 1954 with The Equitable Life Assurance Society, due in 1969. The balance came from general corporate funds. At the end of 1955, there was no debt outstanding other than the total of \$35,000,000 due in 1969 under the 1954 general mortgage loan.

The powerful, comfortable new Super-G Constellations were introduced over both domestic and international routes with an enthusiastic reception by the public. Eight additional Super-G's will be delivered by the summer of 1956 and further improve our service between key domestic cities and overseas routes to Europe, Africa and Asia. Your fleet will be still further enhanced in 1957 when we will receive 25 model 1649-A long-range turbo-compound Constellations. Both new Constellation fleets will be acquired under Conditional Sales Contracts through the Hughes Tool Company and no other financing will be required for their purchase.

Although earnings were lower than in 1954, 1955 was a

year of accomplishments which should contribute greatly to the airline's future success. Important new cities were added to the domestic routes—Denver, Tulsa, and Oklahoma City. Detroit and Cleveland were given increased service featuring through flights to the East and West Coasts. These new and expanded markets will serve during the year of 1956 to provide greater opportunities for increased sales volume.

Your airline, which is the largest world-wide operator of modern 4-engine equipment, led the industry by reducing Sky Tourist coast-to-coast fares to \$80 each way on round trips and was the first and only airline to offer "coach" service NON-STOP coast to coast on regularly scheduled flights. Increased sales and profits resulted from this service in the latter part of the year.

TWA continues to operate without subsidy in any form from the United States Government. Low-fare Sky Tourist service, which reaches a broader market of travelers than any other type of air service, will continue to set the pace for the entire industry. With the opening of the engine-overhaul portion of our new maintenance base in Kansas City in April 1956, we will have the most modern engine-

overhaul facility in the world. It should substantially reduce operating costs.

Consistent with your Company's record of leadership in the development and operation of new aircraft types and models, we have studiously explored the problems incident to the introduction of jet propulsion to the air transport business. Advance preparations have been made all along the line for the technical problems of the jet age. We can announce with complete assurance that TWA will be ready to compete successfully in this field.

An important decision was recently announced which, while not affecting our 1956 results, will have a profound effect on future operations. An initial order has been placed with the Boeing Airplane Company for eight model 707 jet-propelled Stratoliners. Their delivery is expected beginning in April 1959. These aircraft will have speeds of over 550 miles per hour and will put us in a leading position in the operation of jets over coast-to-coast and international routes.

We are grateful for the support received from our customers, employees and stockholders during the past year. A continuation of this cooperation will assure a mutually profitable future.

BY ORDER OF THE BOARD OF DIRECTORS:

Warren F. Churnon

Chairman of the Board

John A. Beling

Executive Vice President

March 15, 1956

AIRLINE, INC.
LIABILITIES

DECEMBER 31, 1955 AND 1954

LIABILITIES

	DECEMBER 31 1955	1954
CURRENT LIABILITIES:		
Current maturities of long-term debt.....	\$ 2,943,538	
Accounts payable, employees' deductions, etc.	9,859,934	
Air travel plan deposits.....	2,831,297	
Accrued Federal, state, and foreign income taxes (less United States Government tax notes: 1955, \$3,000,000; 1954, \$1,600,000)	15,646,890	
Accrued salaries, wages, and vacation pay.....	3,115,599	
Unearned transportation revenue.....	544,059	
Total current liabilities.....	7,794,477	
	5,788,749	
	4,925,397	
	\$ 31,959,641	
LONG-TERM DEBT—Portion maturing after one year:		
333 Equipment Mortgage Sinking Fund Bonds—Authorized, \$40,000,000, outstanding (Note 4).....	\$ 35,000,000	
Notes payable to banks—maturing in monthly installments—certain flight equipment mortgaged (Note 4).....	1,200,000	
Conditional sales contracts for purchase of aircraft, maturing in monthly installments of varying amounts.....	2,313,520	
Total long-term debt.....	\$ 38,513,520	
DEFERRED FEDERAL INCOME TAXES—Relating to accelerated amortization of emergency facilities.....	\$ 4,464,571	
STOCKHOLDERS' EQUITY:		
Capital stock—Authorized, 4,000,000 shares, par value \$5 per share (378.7 shares of unissued stock, including stock dividend of 11.7 shares, are optioned to officers)—issued and outstanding, 1,338,894.7 shares in 1955 and 3,330,545.9 shares in 1954 (including 2,228.7 shares in 1955 and 2,395.9 shares in 1954 held for the redemption of outstand- ing fractional scrip).....	\$ 16,684,194	
Capital in excess of par value of stock.....	22,417,258	
Earnings employed in the business.....	33,519,930	
Total stockholders' equity.....	\$ 72,621,382	
TOTAL.....	\$146,918,517	

The accompanying notes to financial statements constitute an integral part of this statement.

STATEMENT OF CONSOLIDATED INCOME

FOR THE YEARS ENDED
DECEMBER 31, 1955 AND 1954

OPERATING REVENUES:		
Passenger	\$174,929,015	\$199,530,358
Mail:		
United States-Transcontinental	3,433,082	3,433,082
United States-Internationals	4,026,656	4,026,656
Foreign governments	2,327,312	2,327,312
Freight and express	12,104,846	12,104,846
Other	5,708,486	5,708,486
Total	\$203,671,935	\$217,430,930
OPERATING EXPENSES:		
Flying operations	\$ 63,071,475	\$ 63,071,475
Ground operations	23,384,249	23,384,249
Maintenance (see Note)	36,961,685	36,961,685
Provision for depreciation, amortization, and obsolescence (see Note)	20,275,766	20,275,766
Passenger service	14,586,963	14,586,963
Sales, advertising, and publicity	31,978,610	31,978,610
General and administrative	8,411,776	8,411,776
Employees' welfare (pension, social security, etc.)	6,553,780	6,553,780
Total	\$180,993,900	\$203,856,310
GAIN FROM OPERATIONS	\$ 22,677,935	\$ 11,574,640
OTHER INCOME CREDITS:		
Interest, discount, etc.	\$ 575,019	\$ 521,402
Net gain (loss) on sale or retirement of property	(38,537)	537,578
Miscellaneous	133,051	127,787
Total	\$ 671,535	\$ 1,206,767
Total	\$ 23,349,531	\$ 12,781,407

OTHER INCOME CHARGES:		
Interest on long-term debt, etc	\$ 1,467,410	\$ 1,239,473
Miscellaneous	593,685	217,742
Total	\$ 2,061,095	\$ 1,457,215
INCOME BEFORE PROVISION FOR INCOME TAXES	\$ 21,288,436	\$ 11,324,192
PROVISION FOR INCOME TAXES:		
Federal income taxes	\$ 9,018,917	\$ 3,711,000
Federal income taxes deferred—relating to accelerated amortization of emergency facilities	1,474,743	2,012,000
State and foreign income taxes	43,050	194,000
Total	\$ 10,536,710	\$ 5,917,000
NET INCOME FOR THE YEAR	\$ 10,751,726	\$ 5,407,192

NOTE: In 1954, net retirement costs of cylinders, crankshafts, etc., were included in depreciation charge. In 1955, such net retirement losses amounting to approximately \$3,300,000 were classified as maintenance expense.

The accompanying notes to financial statements constitute an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. In June 1955, the Civil Aeronautics Board, Order No. E-9284, established permanent mail rates for TWA's transcontinental routes for the period on and after April 1, 1954. As a result of this order, TWA's compensation for the carriage of mail on its transcontinental routes for the last nine months of 1954 was reduced by approximately \$895,000, which amount has been applied as a reduction of 1955 mail revenue.

In its Order dated August 30, 1955, the Civil Aeronautics Board granted to TWA the sum of \$562,000 as additional compensation for carriage of United States mail on TWA's international routes for periods prior to 1954. The Company has filed a petition for review with the United States Court of Appeals for the District of Columbia, claiming the additional amount is inadequate.

The Order dated August 30, 1955 provides that payment of the additional amount granted shall be stayed pending final determination of the extent to which TWA's domestic operations may have available excess earnings in periods prior to 1954 for offset against past subsidy requirements of the International Division. On November 23, 1955, an examiner of the Civil Aeronautics Board issued an initial decision finding that TWA had excess domestic earnings amounting to \$8,715,900 available for offset against excess subsidies paid or payable to TWA for periods prior to 1954. TWA has taken exception to these findings and the matter has been submitted to the Civil Aeronautics Board for decision. No effect has been given in the accompanying financial statements to the above tentative mail and subsidy adjustments, pending final determination.

2. The Company's Federal income tax returns for the year 1952 and prior years have been examined by the Internal Revenue Service.

3. The present annual cost of the Company's retirement plan for officers and employees is estimated at \$3,000,000. The unpaid balance of past service benefits, after applying six annual payments of \$659,000, is estimated at approximately \$2,840,000. The plan may be discontinued by the Company in whole or in part at any

The Equipment Mortgage bond Indenture provides for sinking fund payments of \$1,500,000 on June 1 and December 1, 1957, and semi-annually thereafter to and including June 1, 1969. Additional sinking fund payments are required annually beginning June 1, 1957, equal to one-half of the consolidated net income for the preceding calendar year in excess of \$3,000,000, but such additional annual sinking fund payment shall not exceed \$2,000,000.

Certain provisions of the Equipment Mortgage Indenture will not presently permit the payment of cash dividends.

On February 1, 1958, the Company borrowed \$4,500,000 from banks under a revolving credit agreement dated December 20, 1954. This amount represents the maximum amount available under the revolving credit agreement. The loan bears interest at 3% per annum and is repayable in monthly installments of \$264,706, the final installment maturing on June 30, 1957.

5. In January, 1956, the Company deposited \$2,400,000 in U. S. Government securities and \$94,037 in cash in the 1958 Insurance Retention Fund.

6. Commitments and Contingent Liabilities:

In November, 1955, the Company was granted options by Hughes Tool Company to acquire all of its rights under two contracts covering the purchase of aircraft at an aggregate price of approximately \$74,000,000, to be delivered during 1956 and 1957. The options are exercisable by TWA during 1956, subject to CAB approval. It is contemplated that if these options are exercised such aircraft and certain engines and related spare parts would be acquired by TWA under conditional sales contracts. TWA paying to Hughes Tool Company, as the purchase price, the cost to Hughes Tool Company plus interest at 3% on advance payments made by Hughes Tool Company, in monthly installments over 5-year periods.

TWA, along with other airlines, is a defendant in a civil anti-trust suit for treble damages of \$30,000,000. Management and legal counsel know of no other litigation pending or threatened against the Company which in their opinion would result in liability which, over and above any insurance coverage in effect,

TO THE STOCKHOLDERS:

The year 1956 was one of great change in TWA. At the outset, we suffered serious loss from the death of Ralph S. Damon who had served as President for the past seven years. His position was filled by the election in December of Carter L. Burgess, former Assistant Secretary of Defense, who comes to TWA with an outstanding record of accomplishment in government and business. Mr. Burgess entered into his duties on January 23 of the current year, bringing to TWA a new vigor and enthusiasm. Your Company looks to the future with heightened confidence.

The financial results of operations for 1956 were disappointing.

Gross operating revenues of the Company during 1956 were \$240,394,000—an increase of \$22,963,000 or 10.5% over 1955, however, over-all expenses increased by \$38,992,000 resulting in a loss before provision for income taxes of \$4,705,000.

After application of loss carry back tax credit of \$2,516,000, net loss for the year was \$2,327,000, or 70 cents per share on the 3,337,036 shares of common stock outstanding. This compares with a net profit during 1955 of \$5,407,000 or \$1.62 per share.

Charges to depreciation included in operating expense were \$20,373,000 compared with similar charges of \$20,276,000 the year before.

During the year the Company increased residual values on pressurized aircraft from

5% to 15% to conform to residual rates proposed by the Civil Aeronautics Board. This reduced depreciation which would otherwise have been charged, by \$2,760,000—all as more fully described in Notes to Financial Statements.

Debt, of which \$9,052,000 was due within the current year, increased from \$35,000,000 at the end of 1955 to \$74,960,000 December 31, 1956. This increase of \$39,960,000 includes \$5,000,000 borrowed under terms of our 1954 Equipment Mortgage; \$16,476,000 additional Conditional Sales Contracts payable over a five-year period representing the funding of the purchase price of eight 1049C Constellation aircraft; and, similarly, \$18,316,000 representing advance payments on twenty-five 1649A Constellation aircraft deliverable during 1957 to be funded into five-year Conditional Sales contracts.

New Overhaul Base

The largest single aggregation of TWA personnel is employed at the overhaul base operated outside Kansas City, Missouri. The facilities at Fairfax, Kansas, used for this purpose for the past ten years have grown inadequate, and new facilities have been under construction for some time at Mid-Continent International Airport—sixteen miles away. These facilities were partially completed in 1956 and a portion of TWA's activities were transferred to the

new base. Because of unfortunate construction delays, the entire base will not be completed until sometime in 1957. This has resulted in split operations between the two bases, increasing costs throughout 1956 and deferring the realization of the full advantage of the new facilities which, when completed, will be the finest in the world.

By April of this year, barring further construction delays, we should be fully installed at the new base.

Routes

The year 1956 brought important new route awards to TWA, giving it a strong position for future growth.

On the domestic scene, TWA was granted operating authority by the Civil Aeronautics Board to serve Tucson and Hartford. TWA was also authorized to operate between New York and Boston on flights originating or terminating at Dayton or points west. Similar authority with a similar restriction has previously been granted between New York and Washington.

Internationally, TWA was granted an extension of its temporary certificate so as to permit service beyond India and Ceylon to Manila via Bangkok. The award of this important link will enable TWA to connect up at Manila with Northwest Orient Airlines, permitting joint participation in the

rapidly growing around-the-world travel market.

Competition on all routes of the Company continues to increase as the result of the activity of other carriers and the award of new routes to competitors for services paralleling those of the Company.

Equipment

During 1956 TWA received and placed into service eight new Super-G Constellations.

Equipment on order visualizes a more important role for TWA in the future. During 1957 it will receive 25 of the most modern Lockheed four-engine aircraft, and will be the first airline to place this new type in service. Hughes Tool Company, the owner of nearly three-fourths of TWA's outstanding stock, has ordered a huge fleet of Boeing 707 and Convair 880 jet aircraft for delivery beginning in 1959 under contracts assignable to TWA.

General

Organizational changes begun in 1956 have continued at an accelerated rate into 1957. Vigorous efforts are being made to improve performance and service as well as to reduce costs for the purpose of providing better public service and of developing a money-making enterprise of which all stockholders and employees can be proud.

BY ORDER OF THE BOARD OF DIRECTORS:

Warren P. Chivon

CHAIRMAN OF THE BOARD

On December 18, 1956 the Civil Aeronautics Board approved a \$10,000,000 credit by Hughes Tool Company to TWA for its use as temporary operating capital through April 30, 1958. The amount of the credit will be reduced to \$7,500,000 on August 1, 1957; \$5,000,000 on November 1, 1957; \$2,500,000 on February 1, 1958; and will terminate on April 30, 1958 or such earlier time as the Treasurer of Hughes Tool Company deems necessary. All loans made shall be on unsecured demand notes bearing interest at a rate equivalent to the then prevailing prime rate for commercial loans in New York. No commitment fee is required. On February 15, 1957 TWA borrowed \$2,500,000 under the credit agreement.

On June 29, 1956 the Hughes Tool Company assigned to TWA all of its rights under a contract covering purchase of aircraft and related spare parts aggregating approximately \$70,536,000. The aircraft are scheduled for delivery beginning on or about April 1, 1957.

TWA is obligated to acquire the aircraft and spare parts from Hughes Tool Company under conditional sales contracts payable in monthly instalments over a five year period commencing with the date of delivery of the aircraft. The purchase price to TWA will consist of the aggregate cost of the aircraft and spare parts to Hughes Tool Company plus 3% per annum on advance payments made by Hughes Tool Company from date of the deposit

to delivery date of the aircraft.

A deposit of \$17,212,500 previously made by Hughes Tool in connection with the purchase contract was also assigned to TWA. This deposit will be applied as a reduction of the purchase price and will be repaid to Hughes Tool Company by TWA by including this amount in the conditional sales contracts referred to in the preceding paragraph.

9. Commitments and Contingent Liabilities:

The Company has executed agreements or is presently negotiating for the construction for lease by TWA of an overhaul base, hangars, and a unit terminal, all of an aggregate cost of approximately \$50,000,000.

Rental payments on these long-term leases (which vary from twenty to thirty years) will be based on the amortization of the construction costs, other charges, and interest on the unamortized portion.

In addition, the Company is planning to construct two additional hangars which are presently estimated to cost approximately \$7,500,000.

Management and legal counsel know of no litigation pending or threatened against the Company which in their opinion would result in liability, which, over and above any insurance coverage in respect thereof, would materially affect the Company's financial condition or interfere with its operations.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TEMPLE BUILDING
KANSAS CITY 8

March 4, 1957.

**ACCOUNTANTS'
CERTIFICATE**

To the Stockholders and Board of Directors
of Trans World Airlines, Inc.:

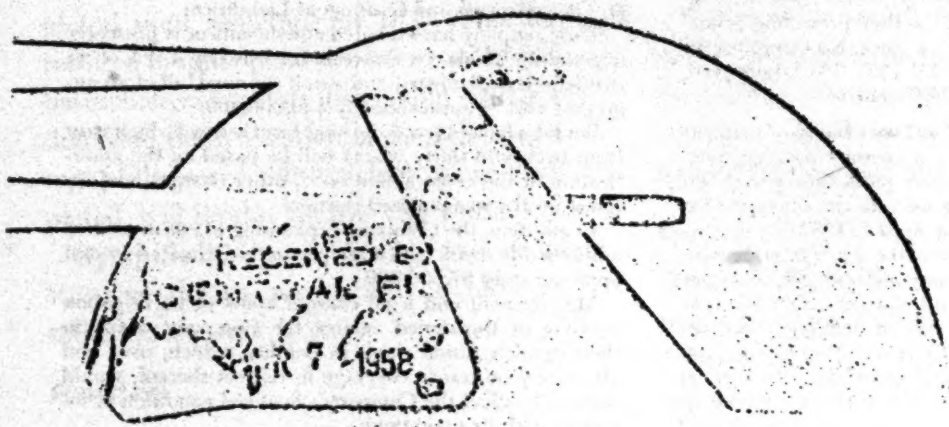
We have examined the consolidated balance sheet of Trans World Airlines, Inc. and its subsidiaries as of December 31, 1956 and the related statement of consolidated income and supplemental financial statements for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except that final determination has not been made of the net amount which may be due to the United States Government on mail and subsidy payments applicable to years prior to 1954 (as set forth in Note 1 to financial statements), the accompanying consolidated balance sheet, statement of consolidated income, and supplemental financial statements, with their notes, present fairly the financial position of the companies at December 31, 1956 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the deferral of moving, training and other costs and the change in the residual values of aircraft as stated in Notes 2 and 3 to the financial statements) on a basis consistent with that of the preceding year.

Haskins & Sells

12/31/57

CP



ANNUAL REPORT

1957



TRANS WORLD AIRLINES, INC.



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HARRIMAN RIPLEY & CO.
INCORPORATED

TRANS WORLD AIRLINES, INC.

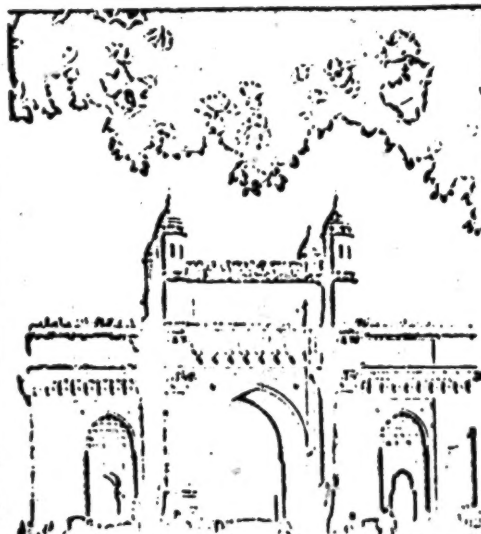
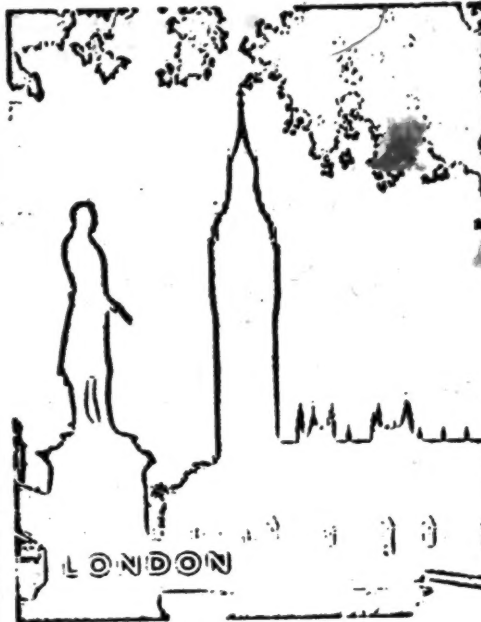
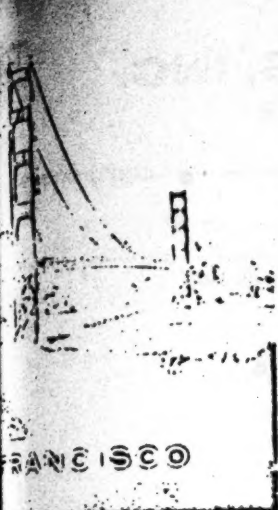
1735 Baltimore, Kansas City 8, Mo.

1957

TWA

TRANS WORLD AIRLINES

ANNUAL REPORT



TRANS WORLD AIRLINES, INC.

1735 Baltimore, Kansas City 8, Missouri

DIRECTORS

Fred W. Ayers	Noah Dietrich	Warren Lee Pierson
Palmer Bradley	Arthur Eisenhower**	C. H. Price
Carter L. Burgess*	Oscar F. Holcombe	Harry Rogers
George H. Clay	A. V. Leslie	Ben-Fleming Sessel
E. O. Cocke	Sidney Maestre	A. D. Simpson
John A. Collings	M. E. Montrose	Thomas A. Slack
		Loyd Wright

*Resigned

**Deceased

OFFICERS

Warren Lee Pierson	.....Chairman of the Board and Acting President
E. O. Cocke	.....Senior Vice President—Sales
A. V. Leslie	.....Senior Vice President—Finance & Treasurer

Vice Presidents

Frederick G. Betts, Purchasing	Clyde S. Fullerton, General Sales Manager
Frank E. Busch, Operations	Gordon L. Gilmore, Public Relations
John H. Clemson, Vice President	C. E. McCollum, National Accounts
Pierre G. Desautels, Passenger Service	R. W. Rummel, Engineering
R. M. Dunn, Maintenance and Stores	Thomas K. Taylor, Washington
J. Woodrow Thomas, Civic Affairs	

Regional Vice Presidents—Sales

James D. Harrigan, Chicago	L. P. Marechal, New York
J. W. Letzkus, Cairo	Richard Mazzarrini, Paris
R. E. Montgomery, Los Angeles	

Ronald Duckworth	.....Secretary
B. H. Tumey	.....Controller
James C. Crawford	.....Asst. Vice President—Properties and Facilities
W. E. Rooker	.....Assistant Treasurer
E. Wiley Barker	.....Assistant Secretary
Myra E. Black	.....Assistant Secretary
C. W. Herre	.....Assistant Secretary

TRANSFER AGENT: The New York Trust Company, New York 15, New York

REGISTRAR: Bankers Trust Company, New York 15, New York

TO THE STOCKHOLDERS

The financial results of your Company for 1957 reflect the industry-wide trend of lower returns on substantially higher gross revenues. The latter totalled \$263,500,000, up \$23,271,000 over 1956. In spite of this increase in business there was an operating loss of \$539,000 before applicable tax adjustments, compared with a loss of \$4,131,000 in the previous year. Net loss in 1957 after taxes, amounted to \$1,558,000 against \$2,327,000 in 1956. Additional information about these results appears in the financial section of this report.

TWA made important traffic gains in 1957 with the introduction of its Jetstream airplanes. These have set new standards for performance, passenger comfort and service, on our long-haul routes. The Jetstream is the ultimate development of piston-driven aircraft and will remain the outstanding commercial air transport until the turbojets are placed in service.

Significant route changes included extension of the International System eastward from Colombo to Bangkok and Manila where TWA connects with Northwest Orient Airlines to provide a round-the-world service.

Polar Route service direct to Europe from the West Coast of the United States was inaugurated in the fall and it is now possible to fly non-stop by TWA from Seattle to Paris and London, a distance of almost 5,000 miles.

The United States has been unable to date to obtain agreement of the British Government for us to extend the existing New York-London-Frankfurt route to London and thus integrate this operation with our other

European services to the Middle and Far East. The attitude of the British is difficult to understand, especially in the light of the generous concessions already made by our Government to British air transport. We will continue to press for this modest extension of our service and hope for early approval by the British Government. Meanwhile, we are routing some flights non-stop from New York to Frankfurt and thence through Europe and beyond.

The growth of foreign airlines, many of them government-owned, is posing increasing problems for United States flag operators in their efforts to expand their foreign business. Since the United States is the world's most sought-after travel market, the pressures by foreign flag carriers to obtain access to it are tremendous. TWA welcomes this competition providing our Government is willing and able to obtain traffic rights of equivalent value for the world-wide operations of the air carriers of our own country.

Pending before the Civil Aeronautics Board are applications for routes to Florida which would provide direct service from the West Coast and the Midwest. These routes would be of substantial benefit in leveling out our traditional winter traffic slump. A decision is expected in the next few months.

Your Company is party to a General Fare Investigation by the C.A.B. for the purpose of determining adequate air fares.

Air fares were adjusted upward in February 1958 by 4% plus \$1 per ticket pending completion of the Investigation. If the air carriers are to be able to furnish the service demanded by the public, a proper



Warren Lee Pierson
Chairman of the Board

rate of return must be forthcoming to finance the ever increasing cost of providing modern equipment and facilities. Until the recent temporary increase authorized by the C. A. B. the air carriers were operating at fares which were roughly the equivalent of the level charged in 1942. No other form of transportation has operated under such a handicap. We are, therefore, looking forward eagerly for further action by the C. A. B. which will establish a fare level adequate to maintain a United States air transportation system equal to the requirements of our country in today's economic and political atmosphere.

In the area of management, the Company regrets to record the year-end resignation of Mr. Carter L. Burgess, who had acted as President since January 1957, and whose devotion and energetic leadership were accountable for many improvements during the year.

The air transport industry, including your Company, is on the threshold of the Jet Age. Introduction of jet aircraft within the next year will be the most dramatic advance in air travel since the DC-2 was put into service by TWA in 1934. Flying times between our coasts and to Europe will be almost halved.

But this step forward creates many problems. Airports and terminal facilities must be improved at substantial cost. Airway navigation and communications systems must be modernized. Intensive training programs for both flight crew and ground personnel must be undertaken. To meet this challenge your Company

has set up a jet planning group devoted exclusively to this project.

Flying and service techniques to take full benefit of the performance capabilities of the jets are under development and in many instances are being practiced today. For example, TWA has already in operation a Wind Analysis Unit comprised of meteorologists who daily review hundreds of wind and weather reports and from this data can predict wind directions and wind speeds at high altitudes to plan the fastest and smoothest course for our flights. Such procedure, developed to its present advanced state by TWA, will be an invaluable aid in future operations which will be conducted in the area of 40,000 feet.

In the period of transition from piston to jet aircraft, we must double our efforts to develop additional sources of traffic and to control costs of operation. This is being done with the wholehearted efforts of our thousands of loyal employees who have brought TWA to its present position of leadership in the industry. With their continued assistance I am confident TWA will be ready for the Jet Age.

BY ORDER OF THE BOARD OF DIRECTORS

CHAIRMAN OF THE BOARD
AND
ACTING PRESIDENT

FINANCE



A. V. Leslie

Senior Vice President—Finance & Treasurer

The scheduled airline industry continued its strong growth during 1957 with your Company's volume of traffic and revenue more than keeping pace. Overriding this trend, however, were price increases in every major area of expenditure: wages and salaries, materials and supplies, fuel, rents and fees for the use of airport facilities. No relief in rates was granted by our regulatory authority the Civil Aeronautics Board until after the close of the year, and thus the industry and your Company within it notwithstanding strict economy measures suffered a decline in income from operations.

Operating revenues for the year were \$263,665,000—an increase of \$23,271,000 or 9.8% over 1956, the previous peak year. Passenger volume (which accounted for 87% of revenue) exceeded forecasts for the first eight months of the year. During September a far more than seasonal decline commenced which continued to the year end and paralleled the downward trend of activity observable in major spheres of business. The abrupt drop in volume is again a reminder that although our business is dynamic, much of our revenue is derived from travel of a non-necessity nature and that the industry is a sensitive barometer of the Nation's general economic state.

Operating expenses at \$268,203,000 were \$23,678,000 above the year before and as a result operating loss increased to \$4,539,000 which compares with the operating loss of \$4,131,000 reported for 1956.

Detailed studies indicate that the cost of conducting the business increased by some \$14,000,000 over the year before from changes in price levels inclusive of adjustments in wage and salary scales.

That we were so largely able to overcome this

burden was due to major economies effected by the organization of which the most notable was the generation of a year-to-year increase of 16% in available ton miles flown with a 6% decrease in the cost of Fleet Maintenance and Overhaul. A great portion of this favorable result was due to occupancy of the new overhaul base at Kansas City, Missouri, of which mention was made in the 1956 Annual Report.

The net of income and expense from other than operations activity was a credit of \$548,000 compared with a net charge of \$574,000 for 1956. This favorable circumstance, despite substantially greater interest charges, was due to gain from sales of flight equipment which had become obsolete in our service, recoveries on prior years' damage claims and the refund of welfare insurance payments which experience proved had in the past exceeded actuarial requirements.

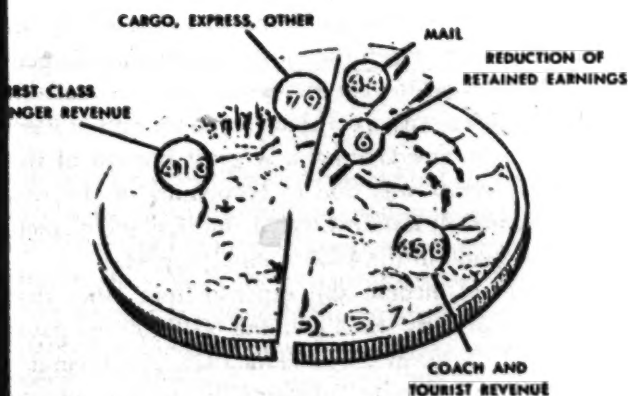
Loss carryback tax credits were \$2,434,000 and net loss for the year \$1,558,000 versus the net loss of \$2,327,000 reported for 1956.

Cash generation—the sum of the net loss plus non cash charges for depreciation, amortization and obsolescence—was \$25,206,000 for 1957 and \$18,154,000 the year before.

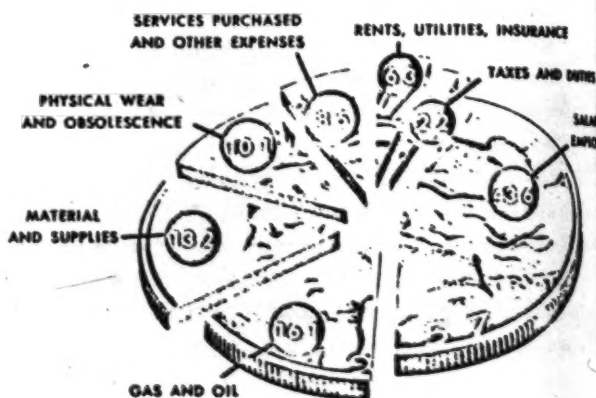
In June the Company offered rights to stockholders to subscribe to one additional share of stock for each share held at a price of \$13 per share. The net proceeds to the Company from this offering totalled \$43,189,000. During June and July the Company borrowed on a secured basis \$35,000,000—\$10,000,000 of which came due and was repaid on December 2, with the balance payable over a thirty-six month period commencing January 1, 1958.

With these funds, in total \$78,189,000 plus other

THE TWA INCOME DOLLAR



THE TWA EXPENSE DOLLAR



cash, the Company financed the purchase of 25 model 1649-A Constellation airplanes and the refinancing of 8 1049-G Constellation airplanes previously held under conditional sales contracts as well as appurtenant spare equipment having a total value of \$79,400,000.

On December 2, the Company borrowed \$5,811,000 from the Hughes Tool Company on a basis subordinate to the secured debt and on December 31, borrowed \$12,000,000 from banks on a 90-day basis renewable for a further 90-day period. Payment of these notes is guaranteed by the Hughes Tool Company.

Also on December 31, 1957, the Company executed a conditional sales contract for the purchase of 4 model 1649-A Constellation airplanes. The unpaid portion of the purchase price \$7,293,000 is payable in nineteen quarterly installments commencing July 1, 1958.

Details of the calendar year's results and year-end financial position as well as historical statistical data are to be found on the accompanying pages.

The general outlook for business is far less satisfactory than a year ago. However, there are several factors. The Company has integrated the 25 1649-A into its fleet, its service standards are at a peak and the Civil Aeronautics Board has taken some cognizance of the industry's need for compensatory rate to match the continually increasing costs of doing business which we are hopeful is a precursor to a more realistic approach toward the industry's necessities.

The rate increase effective February 10, 1958 on domestic passenger traffic is 4% plus \$1 per ticket issued, palpably but a sop to the industry's needs. It is to attract the capital required for the jet age. During the course of the current year we will address ourselves actively to this problem since delivery of the jet airplanes under order by the Hughes Tool Company under contracts assignable to TWA will commence during early 1959.



SALES

E. O. Cooke

Senior Vice President—Sales

Sales of TWA services in 1957 increased 9.8% over the previous year. This compares favorably with the rate of industry growth during the year and sales achievements of your Company's leading competitors in air transportation. Advertising and sales costs in relation to revenues declined in 1957 compared with the previous year.

TWA's competitive position has been materially improved with the introduction into scheduled service in mid-1957 of its Jetstream equipment. The long-range commercial aircraft in service today, the Jetstreams have enabled your Company to provide additional non-stop, coast-to-coast service in the U.S.A. and to many foreign destinations. As the Jetstream fleet of 25 aircraft was not fully integrated into scheduled service until the closing months of 1957, the year's results do not fully reflect revenue potential of this new equipment.

Acquisition of Jetstream aircraft also placed your Company in a position to make a realistic bid for a larger share of the lucrative First Class air travel market. On October 14, 1957 Siesta Sleeper Seats were installed on all non-stop, coast-to-coast Jetstream equipment. Long a feature of luxury international air travel, TWA was the first to place Sleeper Seat service at the disposal of discriminating air travelers in this country. This service is meeting with gratifying public acceptance.

The addition of the 25 Jetstream aircraft to the fleet has also enabled your Company to revise its schedule pattern to provide improved and increased service to many important markets both here and abroad, a development that is likely to have an important bearing on future sales.

Contributing also to 1957 sales results and TWA's currently improved competitive position was the inauguration on September 29, 1957 of its Polar Route, providing twice-weekly round-trip service between the West Coast of the U.S.A. and Europe. Market potential of this service appears substantial and frequencies will be increased to four weekly flights beginning May 1, 1958.

On December 8, 1957 TWA extended service through Frankfurt to Zurich, Rome, Athens and beyond, thus providing additional opportunities for circular routings, as well as new service between important Western European markets and the Middle and Far East. On January 1, 1958 service was started between Colombo, Ceylon and Manila via Bangkok, linking up at Manila with Northwest Orient Airlines to provide a new round-the-world route. Today TWA serves 65 U.S. cities, 23 world centers overseas, and now operates 48,000 route miles.

Despite uncertainties created by the Suez crisis in the early months of 1957, European travel during the year broke all records. During peak season TWA oper-



Jetstream luxury airliner is christened by charming actress Miss Deborah Kerr

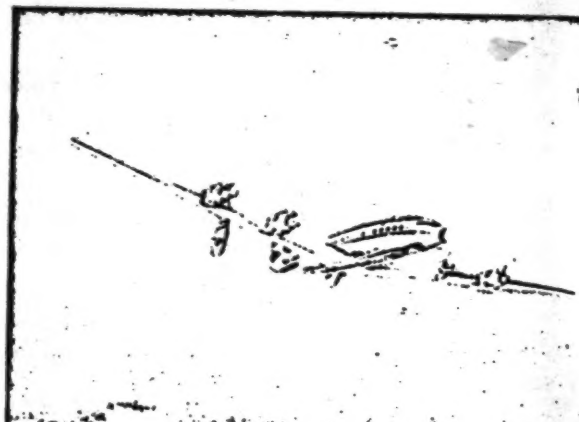
ated 56 flights weekly across the North Atlantic—
ticked 153,641 international passengers during the
year, a gain of 8.5% over the previous year. As a fur-
ther impetus to international air travel, your Company
has joined with the industry in the development of a
new Economy Fare Plan which will become effective
April 1, 1958. Forward bookings indicate another in-
ternational air travel record for 1958, and in antici-
pation your Company will operate 63 weekly flights
across the North Atlantic during the summer months.

In 1957 tickets were sold to over 5,000,000 passen-
gers. During a typical day in high season the New
York switchboard, as an example, serviced on the
average of 10,000 phone calls every 24 hours. To keep
breast of the growing work-load and to improve
accuracy and speed in reservations procedures and
the relaying of reliable flight information to the
public, TWA will shortly install in its major centers
automatic electronic reservations units known as the
Magnetronic Teleflite System. Operation of these
units should expedite service and materially improve
over-all efficiency at this vital contact point with our
patrons.

E.O.C.



Offered at no extra fare on domestic Jetstream flights, the Siesta Sleeper Seat is growing in public favor.



Operating many flights non-stop, TWA inaugurated Polar Route service between California and Europe

OPERATIONS



Frank E. Busch
Vice President—Operations

TWA's reliability of scheduled service to the traveling public increased markedly during 1957. Beginning in February, each month showed a higher percentage of completion of scheduled flying miles than the corresponding month of 1956. To the passenger, this meant fewer instances of cancelled flights and the attendant inconveniences. For the year 1957 better than 98% of the timetable miles were completed. This is the best record of the big three transcontinental carriers, and establishes TWA as a recognized first in reliability of service.

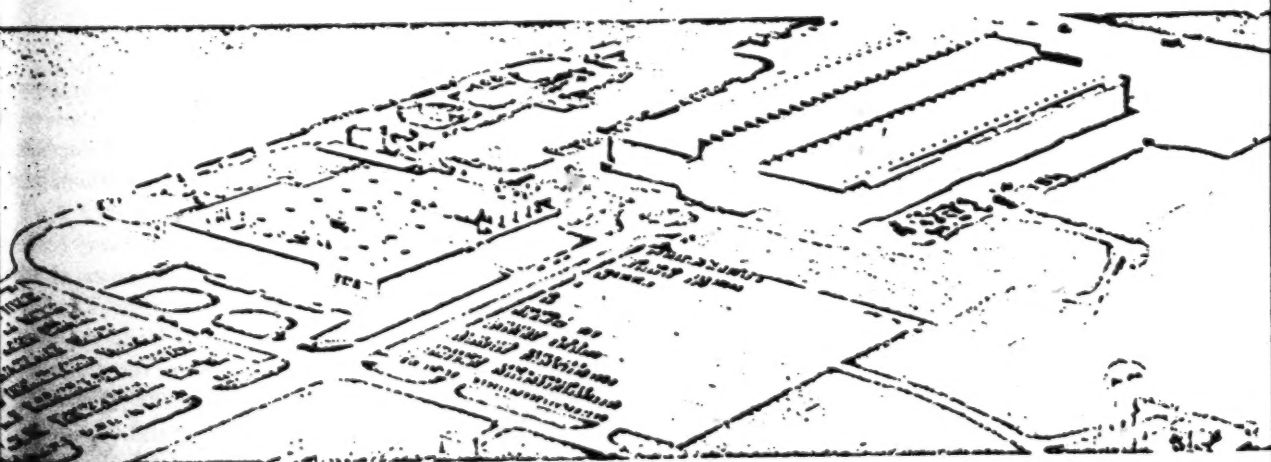
Similarly, on-time dependability improved substantially over the previous year. There were fewer delayed departures at originating stations, and a greater percentage of arrivals at terminating points were on-time. The latter reflects closer adherence to point-to-point scheduled flying times, and an ability to gain time on late operating flights, resulting from more enthusiastic effort on the part of flight and ground operations' personnel.

Equally effective in improving the service to the

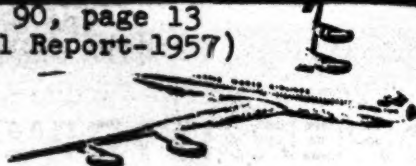
traveling public were the achievements of the maintenance and overhaul organization in bettering the quality and reliability of the overhauled product to the extent that engines alone, as an example, operated with 34% greater reliability than in 1956.

The over-all performance improvement of 1957 is most notable in the light of the introduction of 25 new Jetstream aircraft during the peak travel season. This new airplane was designed to be the most modern and luxurious long-range transport in the industry, and has been enthusiastically received in world travel markets. It has consistently outshown other aircraft in non-stop flights over the Polar Route between the West Coast of the U.S. and Europe. However, as a result of "shakedown" problems experienced when they were placed into scheduled service, added costs were incurred in maintaining a dependable level of operations.

While the operating performance of the TWA fleet was on the upgrade, costs were receiving equal attention. Based on available ton miles, the industry ac-



Finest and most modern facility in airline history, the new Maintenance and Overhaul Base at Kansas City became fully operative in 1957. Each of TWA's fleet of 190 planes regularly returns here for servicing.



cepted standard of cost comparison, TWA's unit costs for flight operations and maintenance were reduced by 3.32% from the previous year. This was accomplished in the face of rapidly rising costs of wages and materials necessary to operate the airline.

Improved communications facilities made it no longer necessary to employ flight radio operators on international flights, a cost reduction which will be reflected during the coming year.

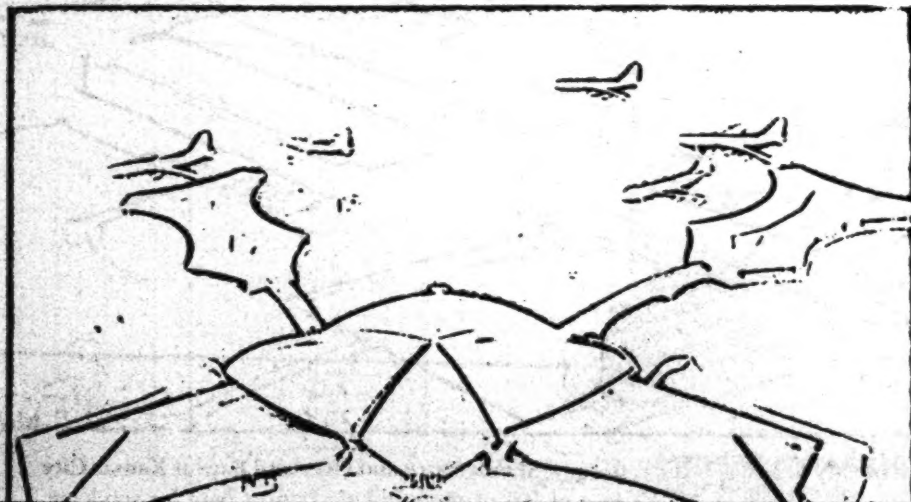
The move of the Company's main overhaul base to the new facility at Mid-Continent International Airport north of Kansas City, begun in 1956 with the transfer of engine overhaul activities, was completed during 1957 with the move of airframe overhaul. The planning and design work which preceded the move has proved more than worthwhile. The engine overhaul unit is an outstanding example of the application of modern production techniques in the overhaul of aircraft engines, and has gained wide recognition in the airline industry.

To meet the expansion of both international and

domestic operations, new hangar facilities at New York International Airport (Idlewild) and San Francisco International Airport have been under construction during 1957. Occupation of these aircraft servicing bases is planned for the first quarter of 1958.

The training phase of the Company's planning for the introduction of jet aircraft began during the year. With the cooperation of the aircraft, engine and accessory manufacturers, and the Air Force, training instructors and supervisory personnel were given familiarization courses, and an introductory training manual was prepared and distributed to flight crew. Late in the year "paper" jet operations were inaugurated on the transcontinental and trans-Atlantic routes to develop flight planning and dispatch procedures covering the radically different operating concepts inherent in jet-powered flight. Analysis of the results of these simulated daily operations is yielding valuable data on the new factors to be encountered when these airplanes are placed in service in 1959.

F. E. B.



Functional and beautiful in design is TWA's modern terminal now being built at New York's Idlewild Airport. When completed, it will incorporate every convenience for the air patron of today and tomorrow. Through all-glass walls, travelers may view the dramatic spectacle of jet planes arriving and departing. The new terminal will serve international as well as domestic passengers.

Trans World Airlines, Inc. and Subsidiaries

Assets

.... DECEMBER 31
1957 1956

CURRENT ASSETS:

Cash.....	\$ 26,497,729	\$ 14,799,757
United States Government securities.....	3,500,000	8,900,000
Accounts receivable:		
United States Government—Mail, passenger, and other.....	5,071,583	4,213,809
Governments outside the United States.....	710,185	982,618
Net traffic and express balances and other receivables—less reserve of \$432,500 in 1957 and \$275,900 in 1956.....	15,781,321	12,609,321
Estimated refunds of Federal income taxes arising from loss carry- backs (Note 2).....	2,488,775	7,825,000
Inventory of spare parts, materials, and supplies, at average cost— less reserve for obsolescence of \$2,176,733 in 1957 and \$2,186,559 in 1956 (Note 6).....	13,771,723	14,000,492
Prepaid insurance, rents, etc.....	2,286,984	2,235,487
Total current assets.....	<u>\$ 70,108,300</u>	<u>\$ 65,566,484</u>

SPECIAL FUNDS, INVESTMENTS, AND OTHER

NON-CURRENT ASSETS:

Deposits on purchase of aircraft, etc.		\$ 19,038,420
Investments, advances, etc.	\$ 507,327	3,302,037
Proceeds from sale of flight equipment deposited with Trustee under terms of indenture and mortgage relating to long-term debt.....	923,750	
Notes and accounts receivable.....	484,191	622,851
Total special funds, investments, and other non-current assets	<u>\$ 1,915,268</u>	<u>\$ 22,963,308</u>

PROPERTY AND EQUIPMENT—Less reserves for depreciation and
amortization—See summary (approximately all flight equipment is
mortgaged to secure long-term debt). (Note 6).....

\$172,073,965 \$103,208,108

INTANGIBLE ASSET—Air route acquired through subsidiary dis-
solved in 1947.....

\$ 309,801 \$ 309,801

DEFERRED DEBITS:

Long-term prepayments	\$ 1,069,092	\$ 1,672,452
Costs relating to new overhaul base—unamortized portion (Note 2)	2,665,228	987,034
Training and other costs applicable to new aircraft acquired or to be acquired—unamortized portion (Note 2)	4,153,836	854,764
Miscellaneous.....	713,529	455,274
Total deferred debits.....	<u>\$ 9,201,685</u>	<u>\$ 3,969,524</u>

TOTAL

\$253,009,019 \$196,017,225

CONSOLIDATED BALANCE SHEET, December 31, 1957 and**Liabilities**..... DECEMBER 31
1957 1956**CURRENT LIABILITIES:**

Short-term notes payable to banks (Notes 4 and 5).....	\$ 12,000,000	
Current maturities of long-term debt.....	12,151,791	\$ 9,052,392
Accounts payable, employees' deductions, etc.	21,621,562	19,966,983
Air travel plan deposits.....	3,652,426	3,405,318
Accrued Federal, state, and foreign income taxes.....	475,041	439,263
Accrued salaries, wages, and vacation-pay.....	9,160,789	8,897,088
Unearned transportation revenue.....	5,794,039	5,352,539
Total current liabilities	\$ 64,855,648	\$ 47,113,563

LONG-TERM DEBT—Portion maturing after one year (Notes 4 and 5):

3¾% Equipment Mortgage Sinking Fund Bonds.....	\$ 34,000,000	\$ 37,000,000
5¾% chattel mortgage notes payable to banks.....	16,666,667	
Conditional sales contract for purchase of aircraft.....	6,525,493	
Payable to Hughes Tool Company:		
Subordinated note payable due December 1, 1960.....	5,811,000	
Conditional sales contracts for purchase of aircraft and spare parts, maturing in monthly installments of varying amounts to 1961....		12,728,512
Deposits on purchase of aircraft, etc., scheduled for delivery in 1957 —to be included in conditional sales contracts.....		16,179,703
Installment contract for purchase of bulk storage facilities, final pay- ment due in 1962.....	167,704	
Total long-term debt	\$ 63,170,864	\$ 65,908,215

DEFERRED FEDERAL INCOME TAXES (Note 2)	\$ 13,652,280	\$ 12,696,331
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STOCKHOLDERS' EQUITY:

Capital stock—Authorized, 10,000,000 shares (1956—4,000,000 shares), par value \$5 per share (125 shares of unissued stock are optioned to an officer)—issued and outstanding, 6,674,113 shares in 1957 and 3,337,036.4 shares in 1956 (including 2,098.4 shares in 1956 held for the redemption of outstanding fractional scrip).....	\$ 33,370,565	\$ 16,685,182
Capital in excess of par value of stock.....	48,925,025	22,420,851
Earnings employed in the business (Notes 1 and 5).....	29,634,637	31,193,083
Total stockholders' equity	\$111,930,227	\$ 70,299,116
TOTAL	\$253,009,019	\$196,017,235

STATEMENT OF CONSOLIDATED INCOME

FOR THE YEARS ENDED DECEMBER 31, 1957 AND 1956

	YEAR ENDED DECEMBER 31	
	1957	1956
OPERATING REVENUES:		
Passenger.....	\$231,076,850	\$210,279,423
Mail:		
United States—Domestic	4,284,309	4,235,447
United States—International	5,336,726	5,106,240
Foreign governments	2,015,235	2,126,419
Freight, express, and excess baggage	14,958,333	14,773,776
Other	5,993,101	3,872,517
Total	<u>\$263,664,554</u>	<u>\$240,393,822</u>
OPERATING EXPENSES:		
Flying operations	\$ 82,397,707	\$ 71,550,704
Ground operations	38,035,802	33,420,114
Maintenance	50,581,405	53,464,054
Provision for depreciation, amortization, and obsolescence	26,050,121	20,372,877
Amortization of deferred costs	714,700	107,431
Passenger service	17,076,344	16,853,870
Promotion and sales	34,044,616	32,555,556
General and administrative	11,176,772	8,997,704
Employees' welfare (pension, social security, etc.)	8,125,988	7,197,491
Total	<u>\$268,203,455</u>	<u>\$244,524,801</u>
LOSS FROM OPERATIONS	<u>\$ 4,538,901</u>	<u>\$ 4,130,979</u>
OTHER INCOME CREDITS:		
Interest, discounts, etc.	\$ 769,944	\$ 639,112
Net gain on sale or retirement of property	1,192,475	612,762
Recoveries on prior years' damage claims	895,047	
Refund of prior years' welfare insurance payments	1,080,915	
Miscellaneous	149,362	120,521
Total	<u>\$ 4,087,743</u>	<u>\$ 1,372,395</u>
Remainder	<u>\$ 451,158</u>	<u>\$ 2,758,584</u>
OTHER INCOME CHARGES:		
Interest on long-term debt, etc.	\$ 2,865,046	\$ 1,849,210
Loss on foreign exchange	391,622	
Miscellaneous	284,325	97,089
Total	<u>\$ 3,540,993</u>	<u>\$ 1,946,299</u>
LOSS BEFORE PROVISION FOR INCOME TAXES	<u>\$ 3,992,151</u>	<u>\$ 4,704,883</u>
PROVISION FOR INCOME TAXES (Note 2):		
Estimated refundable Federal income taxes, 1957, \$2,488,775; 1956, \$7,825,000—Less portion of refunds (\$1,027,388 and \$5,309,000, respectively) deferred to future years	\$(1,461,387)	\$(2,516,000)
Federal income taxes of subsidiary	7,067	9,530
State and foreign income taxes	20,445	128,245
Prior years' income tax and refund adjustments—net (including \$71,439 applicable to deferred income taxes)	(999,830)	
Total	<u>\$(2,433,705)</u>	<u>\$(2,378,225)</u>
NET LOSS FOR THE YEAR	<u>\$ 1,558,446</u>	<u>\$ 2,326,658</u>

STATEMENTS OF CONSOLIDATED EARNINGS

employed in the business and capital in excess of par value of stock
FOR THE YEARS ENDED DECEMBER 31, 1957 AND 1956

Earnings employed in the business	YEAR ENDED DECEMBER 31	
	1957	1956
BALANCE AT BEGINNING OF YEAR.....	\$31,193,083	\$33,519,920
DEDUCT:		
Loss for the year.....	1,558,446	2,326,658
Stock dividend applicable to stock issued under Employees' Stock Purchase Plan.....		179
Total.....	\$ 1,558,446	\$ 2,326,837
BALANCE AT END OF YEAR (Notes 1 and 5).....	\$29,634,637	\$31,193,083

Capital in excess of par value of stock

BALANCE AT BEGINNING OF YEAR.....	\$22,420,851	\$22,417,258
ADD:		
Excess of selling price of \$13 per share over par value of 3,337,036 shares of capital stock sold in 1957 (less expenses relating to sale of stock, \$192,490)	26,503,798	
Amounts arising from issuance of capital stock under Employees' Stock Purchase Plan	376	3,583
BALANCE AT END OF YEAR.....	\$48,925,025	\$22,420,851

Summary of property and equipment

AND RELATED RESERVES FOR DEPRECIATION AND AMORTIZATION
AT DECEMBER 31, 1957 AND NET BOOK VALUE, DECEMBER 31, 1956

... DECEMBER 31, 1957 ...

- Classification of Property -	Property and Equipment (At Cost)	Reserves for Depreciation and Amortization	Net Book Value	Net Book Value December 31, 1956
Flight equipment and accessories (Note 6) ..	\$281,861,870	\$137,283,387	\$144,578,483	\$ 83,191,033
Ground equipment, buildings, leasehold improvements, etc.	36,309,706	14,616,274	21,663,432	17,717,689
Uncompleted work orders - not classified.	5,832,050		5,832,050	2,299,386
Total.....	\$324,003,626	\$151,929,661	\$172,073,965	\$103,208,108

Trans World Airlines, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

The Civil Aeronautics Board, by orders issued in 1956, found that TWA had been over-paid by \$8,153,000 for the carriage of mail on its international route for the period 1946-1953. This was based on the decision of the Board that TWA's domestic operations allegedly had excess earnings during that period which could be applied to reduce the need for subsidy with respect to TWA's international operations. TWA filed a petition for review with the United States Court of Appeals for the District of Columbia, and on January 23, 1958, the Court vacated the order of the Civil Aeronautics Board and remanded the case to the Board for reconsideration.

Until final determination, no provision has been made in the accounts or in the accompanying financial statements for the orders.

In its Federal income tax returns for 1956 and certain prior years, TWA has claimed accelerated amortization of property and certificates of necessity and used accelerated methods of depreciation for other properties in lieu of the straight-line method of depreciation used for accounting purposes. If the treatment is employed for 1957, the excess of amortization depreciation as determined for income tax purposes over depreciation recorded in the accounts would amount to approximately \$11,200,000 for that year.

Under a policy adopted by TWA in 1956, costs of training pilots and other personnel in connection with the acquisition of new types of aircraft are deferred and are amortized over a five-year period from the date the equipment is placed in service. In 1956 and 1957 TWA occupied the new overhaul hangar constructed for the Company by the City of Kansas City, Mo. Moving costs and other expenditures relating to the hangar have been deferred and are being written off over a five-year period from dates of occupancy.

Training and moving costs and other similar charges, which are deferred for accounting purposes, are claimed as deductions for income tax purposes in the year incurred. The excess of such charges over amortization recorded on the books would amount to \$5,124,000.

Appropriate provision has been made for deferred income taxes in respect of the foregoing differences between the books and tax returns.

A deduction for income tax purposes of accelerated amortization and depreciation not recorded on the books and of training and moving expenses deferred on the books, as noted above, results in a loss for income tax purposes in 1957 in excess of the amount required to recoup all Federal income taxes previously paid for 1955.

A refund of Federal income taxes of \$8,869,030 was received in 1957 as a result of the carry-back of the 1956 loss, on an accelerated tax basis, to 1954. This refund exceeded by approximately \$1,044,000 the amount estimated at December 31, 1956, and the additional refund is recorded in 1957 as a credit against prior years' taxes.

The 1957 income tax returns for the years 1953 to 1956, inclusive, were examined by the Internal Revenue Service during

1957 and additional taxes of \$169,130 were assessed which amount has been charged against income for 1957. Net Federal income taxes paid for the years 1950 to 1957, inclusive, are subject to further adjustment upon final determination of foreign income taxes, but it is believed that net adjustments to income from such sources should not be material.

3. The present annual cost of the Company's retirement plans for officers and employees is estimated at \$3,800,000. The unpaid balance of past service benefits, after applying eight annual payments of \$658,000 is estimated at approximately \$1,436,000. The plans may be discontinued by the Company in whole or in part at any time.

4. During 1957 stockholders approved an increase in the authorized capital stock of the Company from 4,000,000 shares to 10,000,000 shares of \$5 par value each. On June 17, 1957 TWA offered rights to its stockholders to subscribe to one additional share of stock for each share then owned at a subscription price of \$13 per share. The net proceeds realized from the sale of 3,337,036 shares of stock under this offering amounted to \$43,188,978.

In accordance with the terms of a loan agreement and a chattel mortgage indenture dated May 15, 1957, TWA borrowed \$35,000,000 from certain banks during June and July, 1957. Of this amount, \$10,000,000 was repaid at maturity on December 2, 1957. The remainder is payable in thirty-six equal monthly installments beginning January 1, 1958.

Under the terms of an agreement dated June 7, 1957, entered into in connection with the above financing program, TWA borrowed the maximum amount available thereunder (\$5,811,000) from Hughes Tool Company on December 2, 1957 and applied the proceeds thereof in part payment of the chattel mortgage notes which matured on that date as set forth above. The note payable to Hughes Tool Company is subordinated as to principal and interest to the Equipment Mortgage bonds and all notes payable to banks except for those set forth in the next paragraph; interest accrues on this note at a rate equal to the prime rate for commercial loans by New York banks.

On December 31, 1957, TWA borrowed \$12,000,000 from banks on 90-day 5 1/4% unsecured notes guaranteed by Hughes Tool Company. The related loan agreement provides that these notes may be renewed for a single 90-day period if the renewal notes are similarly guaranteed.

On December 31, 1957, TWA entered into a conditional sales contract for the purchase of four model 1649-A aircraft from Lockheed Aircraft Corporation. The unpaid portion of the purchase price, \$7,293,199, is payable in nineteen equal quarterly installments of \$383,853 beginning on July 1, 1958. The contract bears interest at a rate of 4 1/2% until July 1, 1958 at which time the rate will be adjusted to the rate then being charged Lockheed on its borrowings by New York banks. No principal installment payment may be made on any conditional sales contract which would reduce to an amount less than \$12,000,000 the aggregate of TWA's cash on hand or on deposit in the United States and TWA's marketable U.S. Government securities.

(TWA Annual Report-1957)

5. The Equipment Mortgage bond indenture provides for semi-annual sinking fund payments of \$1,500,000 in June and December to and including June 1, 1969. Additional sinking fund payments are required annually in June equal to one-half of the consolidated net income for the preceding calendar year in excess of \$3,000,000 but such additional annual sinking fund payment shall not exceed \$2,000,000.

Certain provisions of the Equipment Mortgage and Chattel Mortgage Notes indentures will not presently permit the payment of cash dividends. In addition, a supplemental indenture dated December 27, 1957 provided that no payment would be made on the principal of unsecured indebtedness that would reduce the net working capital of the Company below \$15,000,000.

6. Effective January 1, 1957, TWA revised its classification of accounts in accordance with the Civil Aeronautics Board's revised system of accounts. In addition to regrouping of various expenses, flight equipment spare parts, less obsolescence reserve, in the amount of \$11,316,397 at December 31, 1957 previously stated as property have been reclassified as current assets. For comparative purposes the financial statements previously reported for 1956 have been reclassified in the accompanying statements to conform to the new classification.

7. Commitments and Contingent Liabilities:

Hughes Tool Company has placed orders, under contracts assignable to TWA, for four Lockheed 1049H aircraft for delivery in 1958 and for fifteen Boeing 707-131 aircraft, eighteen Boeing 707-331 aircraft, and thirty Convair 880 aircraft, for

delivery beginning in 1959. These contracts are subject to modification as to number and model of aircraft covered as to specifications of the aircraft, including seating capacity. Hughes is not committed to sell any of these aircraft to TWA nor is TWA committed to buy any of them from Hughes. In such transaction between TWA and Hughes requires approval of the Civil Aeronautics Board.

Leases for TWA's overhaul base, hangars, office space, etc. are for varying terms and rentals. The aggregate annual rental under such leases in effect at December 31, 1957 was approximately \$5,200,000.

TWA has executed agreements or is presently negotiating for the construction for lease by TWA of two hangars and a terminal, all of an aggregate cost of approximately \$30,000,000. Rental payments on these long-term leases (which vary from twenty to thirty years) will be based on the amortization of construction costs, other charges, and interest on the unamortized portion.

TWA is presently constructing hangars at Los Angeles and San Francisco, California. The estimated additional cost to complete these hangars amounted to \$5,000,000 at December 31, 1957.

Management and legal counsel know of no litigation pending or threatened against TWA other than that described in Note 1 which in their opinion would result in liability which over and above any insurance coverage in respect thereof would materially affect TWA's financial condition or interfere with its operations.

ACCOUNTANTS' CERTIFICATE

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TEMPLE BUILDING
KANSAS CITY 6

March 4, 1958.

To the Stockholders and Board of Directors
of Trans World Airlines, Inc.:

We have examined the consolidated balance sheet of Trans World Airlines, Inc. and its subsidiaries as of December 31, 1957 and the related statement of consolidated income and supplemental financial statements for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except that final determination has not been made of the net amount which may be due to the United States Government on mail and subsidy payments applicable to years prior to 1954 (as set forth in Note 1 to financial statements), the accompanying consolidated balance sheet, statement of consolidated income, and supplemental financial statements, with their notes, present fairly the financial position of the companies at December 31, 1957 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the inclusion of flight equipment spare parts in current assets as stated in Note 6 to the financial statements) on a basis consistent with that of the preceding year.

Haskins

FINANCIAL STATISTICS (000 Omitted)

OPERATING REVENUES:

	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948
Passenger	\$231,077	\$210,279	\$180,231	\$174,226	\$150,578	\$135,292	\$114,406	\$ 88,275	\$ 78,143	\$ 72,426
Mail:										
United States-Domestic	4,284	4,236	3,433	6,157	5,742	4,070	5,367	5,746	5,535	5,589
United States-International	5,337	5,106	4,627	4,583	4,623	3,568	3,290	3,290	3,290	3,290
Foreign Governments	2,015	2,126	2,327	2,482	2,784	3,200	3,113	3,072	2,947	2,935
Freight and Express	11,720	11,959	12,105	11,130	10,635	9,501	8,687	7,437	6,608	6,115
Excess Baggage	3,238	2,815	2,500	2,541	2,032	1,721	1,949	1,220	1,582	1,398
Other	5,993	3,873	3,208	2,750	2,337	2,447	2,975	1,616	1,616	1,494
Total Operating Revenues	\$263,664	\$240,394	\$217,431	\$203,671	\$187,221	\$160,702	\$142,262	\$116,966	\$105,460	\$ 98,669

OPERATING EXPENSES:

Wages and Salaries	\$110,476	\$100,725	\$ 84,758	\$ 77,100	\$ 73,906	\$ 62,921	\$ 53,102	\$ 45,382	\$ 44,378	\$ 47,803
Depreciation, Amortization, Obsolescence	26,764	20,480	20,276	21,554	23,465	17,010	12,125	11,263	9,188	8,577
All Other	130,963	123,320	100,822	82,340	79,032	65,984	61,035	48,600	41,859	45,142
Total Operating Expenses	\$268,203	\$244,525	\$205,856	\$180,994	\$176,403	\$145,915	\$126,262	\$105,505	\$ 98,755	\$101,522
OPERATING INCOME OR (LOSS)	\$ (4,539)	\$ (4,131)	\$ 11,575	\$ 22,677	\$ 10,818	\$ 14,787	\$ 16,000	\$ 11,461	\$ 6,705	\$ (2,853)
NET INCOME OR (LOSS) AFTER TAXES	\$ (1,558)	\$ (2,327)	\$ 5,407	\$ 10,326	\$ 5,064	\$ 7,661	\$ 7,660	\$ 7,882	\$ 3,736	\$ (5,193)
NET INCOME OR (LOSS) PER SHARE*	\$ (.23)	\$ (.35)	\$.81	\$ 1.55	\$.76	\$ 1.15	\$ 1.15	\$ 1.18	\$.56	\$ (.78)
OPERATING RATIO (Ratio of Expenses to Revenues)	101.7%	101.7%	94.7%	88.9%	94.2%	90.8%	88.8%	90.2%	93.6%	102.9%

SELECTED BALANCE SHEET ITEMS:

Current Assets**	\$ 70,738	\$ 65,566	\$ 41,733	\$ 38,046	\$ 43,670	\$ 50,839	\$ 41,550	\$ 34,928	\$ 31,114	\$ 24,616
Current Liabilities	64,855	47,113	32,910	33,957	43,015	46,932	39,804	26,589	17,461	15,379
Net Working Capital**	\$ 5,253	\$ 18,453	\$ 8,823	\$ 4,089	\$ 6,655	\$ 3,897	\$ 1,746	\$ 8,339	\$ 13,653	\$ 9,237
Flight Equipment (Net)**	\$143,641	\$83,191	\$ 87,822	\$ 52,078	\$ 65,033	\$ 79,924	\$ 47,858	\$ 44,008	\$ 30,379	\$ 36,814
Other Property (Net)	28,433	20,017	15,760	12,931	13,049	12,602	9,750	7,878	7,743	9,190
Total Property and Equipment (Net)**	\$172,074	\$103,208	\$103,582	\$ 65,009	\$ 78,102	\$ 92,526	\$ 57,588	\$ 51,886	\$ 38,122	\$ 45,974
Stockholders' Equity	\$111,931	\$ 70,299	\$ 72,621	\$ 67,207	\$ 56,804	\$ 51,699	\$ 33,406	\$ 25,608	\$ 17,735	\$ 10,192
Shares of Common Stock Outstanding	6,674	3,337	3,337	3,337	3,333	3,330	2,430	2,427	2,425	2,021
Book Value Per Share	\$ 16.77	\$ 21.07	\$ 21.76	\$ 20.14	\$ 17.04	\$ 15.33	\$ 13.75	\$ 10.55	\$ 7.31	\$ 5.04

OPERATING STATISTICS (000 Omitted)

Number of Revenue Passengers	4,818	4,428	4,048	3,594	3,140	2,573	2,223	1,708	1,513	1,325
Miles Scheduled	120,346	111,005	98,979	89,787	83,600	71,247	65,820	60,358	62,846	66,948
Revenue Miles Flown	118,636	107,480	97,249	89,087	81,142	69,557	63,386	60,285	63,309	67,413
Revenue Passenger Miles	4,306,498	3,977,405	3,502,931	3,212,629	2,886,169	2,424,318	1,894,724	1,464,188	1,226,861	1,113,368
Available Seat Miles Flown	6,985,258	6,202,455	5,405,489	4,767,750	4,109,628	3,154,748	2,570,821	2,264,011	2,007,493	1,921,729
Revenue Passenger Load Factor	62.9%	64.1%	64.8%	67.4%	70.3%	73.7%	73.5%	64.7%	61.1%	57.9%
Revenue Ton Miles Flown:										
Passenger	422,320	382,288	336,832	309,051	278,432	225,262	184,657	143,423	120,154	109,052
Mail	24,080	23,869	23,677	23,506	19,676	16,994	17,715	13,938	13,133	12,655
Freight and Express	41,613	41,901	41,253	37,129	34,672	29,706	29,625	26,348	22,951	20,546
Excess Baggage	4,401	3,722	3,259	3,336	2,927	2,459	2,084	1,878	1,819	1,859
Total	492,414	451,780	405,021	373,022	335,707	274,421	234,081	185,587	158,057	144,082

Payload Factor (Ratio of Revenue Ton Miles Flown to Available Ton Miles)

Flown to Available Ton Miles)	57.2%	60.7%	61.8%	64.2%	65.7%	67.8%	66.8%	61.2%	60.2%	57.9%
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The financial statistics published with prior years' reports have been restated to reflect in the proper year retroactive adjustments recorded in later years. *Net income or loss per share for all years has been calculated on the number of shares outstanding as of December 31, 1957. **For year 1956, flight equipment spare parts in the amount of \$11,445,000 have been reclassified from property to current assets to conform with 1957 (see Notes to Financial Statements No. 6).

12/31/58
CP2



TRANS WORLD AIRLINES, INC.
1735 Baltimore, Kansas City 8, Missouri

1958 ANNUAL REPORT

HIGHLIGHTS

	1958	1957
Operating Revenues	<u>\$284,841,000</u>	<u>\$263,664,000</u>
Operating Expenses:		
Cash Operating Expenses	\$253,585,000	\$241,439,000
Depreciation and Amortization	<u>31,631,000</u>	<u>26,764,000</u>
Total Operating Expenses	<u>\$285,216,000</u>	<u>\$268,203,000</u>
Loss From Operations	\$ 375,000	\$ 4,539,000
Interest and Other Charges and Credits	2,749,000	(547,000)
Provision for Income Taxes (Credit)	<u>(1,360,000)</u>	<u>(2,434,000)</u>
Net Loss For the Year	<u>\$ 1,764,000</u>	<u>\$ 1,558,000</u>
Working Capital	\$ 15,491,000	\$ 5,253,000
Long Term Debt	\$ 67,088,000	\$ 63,171,000
Stockholders' Equity	\$110,166,000	\$111,930,000
Revenue Passenger Miles	4,592,675,000	4,396,498,000
Revenue Ton Miles	514,289,000	492,414,000
Passenger Load Factor	63.3%	62.9%
Number of Employees	18,633	19,883



CHARLES S. THOMAS, *President*

President's Letter

I joined your Company as its President on July 15, 1958. In the past year I have had, therefore, the unusual opportunity of observing and knowing TWA from two points of view, first as an interested customer and second from the inner vantage point of President and chief executive.

Nothing has occurred during this period that has changed in the slightest my original conviction that within TWA are all the potentials for becoming one of the greatest transportation systems of modern times. Our routes traverse the United States through the most populous areas. Overseas, we serve the principal capitals of Europe and the age old "trade routes" to the Middle East and beyond. The TWA insignia, those three letters T-W-A, are quickly and easily identifiable anywhere and known worldwide. Most important of all, TWA people embrace as fine a collection of airline skills and knowledge as there is in the industry.

The TWA organization has all of the necessary abilities to reverse the losses of the past three years. To accomplish this purpose, I would like to tell you some of the action that has been taken since last July to improve the immediate picture and also give you a preview of some of the plans and programs ahead.

In August of 1958 task force teams were formed to study every area of expenditure and through their recommendations significant economies were effected which were not alone reflected in the second half of 1958 results but age of continuing benefit.

At the same time, routes and schedules were carefully analyzed and each segment of each schedule was examined to see whether or not it returned a profit or a loss. As a result our schedules were completely revised. Unprofitable flights were eliminated wherever possible, and a greater use was made of the long-haul segments of our route structure which carry the greatest profit potential. This, as with expense control, is a continuing program.

As a result of these two basic actions and other factors, an operating profit of \$10,196,000 was realized in the last six months of 1958.

This is the highest profit for the last half year since 1954 and shows marked improvement over the operating loss of \$1,305,000 during the last six months of 1957.

Despite an operating loss of \$10,571,000 for the first six months of 1958 and a costly 17-day strike in the final half of the year, the full year operating loss was reduced to

\$375,000 compared with operating losses of \$4,539,000 and \$4,131,000 for the calendar years of 1957 and 1956.

The net loss for 1958 was \$1,764,000—\$206,000 greater than the year before, due chiefly to lesser gains on sale of equipment and lower tax credits and other non-recurring items as set forth in more detail in the report. (Had it not been for the actual losses suffered during the strike itself and the adverse effect on traffic, both prior to and after the strike, it is estimated your Company would have made a profit in 1958.)

During January 1959 TWA flew 30% more revenue passenger miles than the previous January and with 1,051 less personnel. The improvement in operating results is continuing.

Now for the longer range. Exhaustive studies have been made of the Company's organization structure with the result that we are modifying our present form of organization to provide for clearer cut lines of authority and delegation, and the elimination of overlapping effort and expense. Part of this plan is a new budgeting system which will be much more effective in control of expenses. The new organization structure will, throughout, be streamlined to afford better lines of communication and command suitable to a company serving four continents and attuned to jet transportation.

In 1958 the groundwork was laid for another significant TWA milestone in aviation history—entrance into the Jet Age. On March 20, 1959 TWA inaugurated the only non-stop jet service between New York and San Francisco using the famous and proven Boeing 707 jets. Within the weeks and months ahead the TWA jet network will spread to Los Angeles, Chicago, Washington, Philadelphia and St. Louis. Later this year, TWA jets will span the Atlantic to our principal gateway cities and beyond.

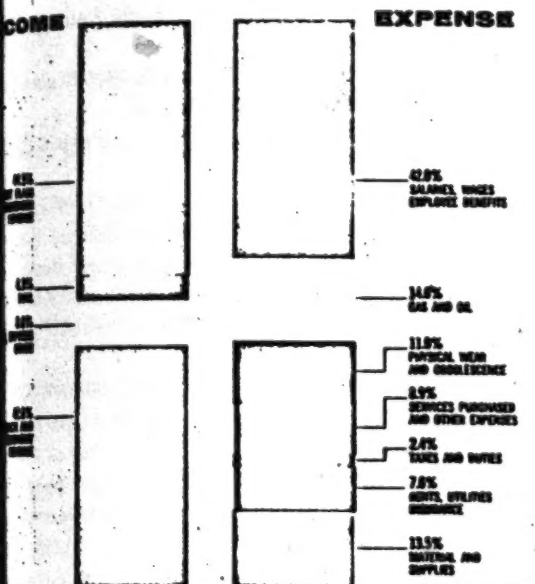
In closing, I would like to submit the following as our self established goal: for TWA to so order its affairs that it will be an acknowledged leader in providing safe, swift air transportation to the public; to accept fully its appropriate obligation in the sphere of national defense; to accord secure employment at a proper level of compensation for its loyal and dedicated personnel, and to accomplish these objectives with the final result of a profitable operation.

I can assure you that I speak for everyone in your Company when I say, "TWA looks to the future with confidence."

Sincerely,

C. S. Thomas

REVIEW OF THE YEAR



1958 was a year of cross currents in the airline industry and your Company. During the early part of the year, the domestic segment of the business was under the influence of a recession in general business activity which persisted until mid-year period during which traffic volume fell substantially below the year before. During the latter half, there was a resumption of the growth pattern at a rate only slightly below that which had persisted for a number of years, only to be interrupted by strikes against several of the major carriers during the last two months.

The international flow of traffic—and for TWA this meant substantially transatlantic travel—showed the greatest growth in any post war year.

Domestically, the industry was awarded passenger-fare increases during February and October which for TWA aggregated roughly 7%. Internationally, a new economy class of service across the Atlantic carrying a rate 20% below tourist class was inaugurated during April. Over half of the passenger volume, exclusive of first class, chose to travel at the lower rate despite the more austere accommodations.

FINANCIAL

Gross Revenues at \$284,841,000 were \$21,177,000 or 8% above a year ago which resulted from carrying a 5% greater volume of traffic at an average rate higher by 3%.

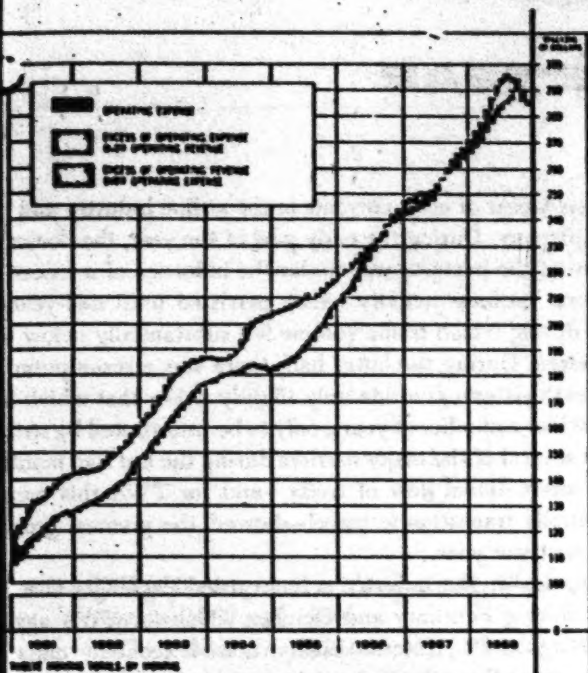
Cash Operating Expenses at \$253,585,000 were higher by \$12,146,000 or slightly over 5%. Non-cash charges for Depreciation and Amortization at \$31,631,000 were up \$4,867,000 or 18%, largely reflecting the increase in average fleet investment.

Increases in labor rates, rents and costs of materials and services continued to inflate the basic costs of doing business.

Loss from operations was reduced to \$375,000 compared with a loss of \$4,539,000 the year before.

Non-operating expense was \$2,749,000 compared with non-operating income of \$547,000 for 1957. The figure for 1958 reflects less gain on the sale of equipment obsolete to our service and the non-recurring nature of certain items reported for 1957, notably recoveries on prior years' damage claims and refund of prior years' welfare insurance payments.

The Company and five other airlines are parties to a Mutual Aid Agreement, which provides that in the event the operations of one of the parties are shut down, as a result of a strike which is unlawful or which has been called to enforce demands in excess of or opposed to the recommendations of a Presidential Emergency Board convened under the provisions of the Railway Labor Act (which governs labor matters in the airline industry), each party will pay to the struck carrier an amount



OPERATING REVENUE, EXPENSE,
AND PROFIT OR LOSS

equal to the increased revenues of that party less additional direct expenses incident thereto. Reflected in 1958 results net benefits to TWA of \$1,343,000 under this agreement.

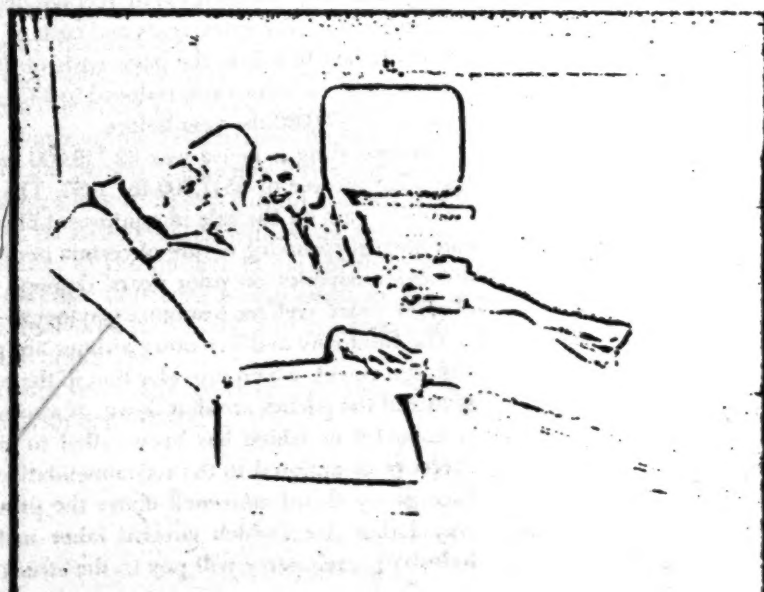
Net tax credit was \$1,360,000 arising chiefly from amortization of deferred taxes.

As a final total, net loss for the year was \$1,764,000 compared with the net loss of \$1,558,000 the year before.

Net Working Capital increased during the year to \$15,400,000 from \$5,253,000 at the end of 1957.

There were additions to the property account of \$21,000,000 encompassing facilities and equipment to provide for the continued expansion of our business. The largest single item was \$9,400,000 representing four 1049H Constellation airplanes, spares and \$5,000,000 for hangar, maintenance and training facilities.

Long term debt at the year end totalled \$67,068,000, an increase of \$3,917,000 for the year and reflects payment of \$12,805,000 regular maturities on debt outstanding at the previous year end; the transfer of \$12,000,000 short term debt payable to banks to long term category upon their purchase by the Hughes Tool Company at maturity July 1, 1958; an increase of \$4,534,000 in Conditional Sales Contracts due to May 15, 1963 executed in connection with the purchase of four 1049H Constellation aircraft; and installment contracts for purchase of bulk storage facilities and ground equipment totaling \$65,000.



Siesta Sleeper Seats, available on all transcontinental Jetstream aircraft, are enjoyed here by Natalie Wood and husband Robert Wagner, motion picture stars.



Some personalities urge foreign travel. Overseas traffic stimulated by the appearance, in TWA advertising, well-known travelers. Here, Maurice Chevalier, international celebrity, invites TWA patrons to visit Paris.

modest return on investment, although undertaken at lower than scheduled service rates.

We believe the scheduled international carriers should share more largely in this military transportation movement on a basis making it sound business in itself, and as a contribution to national defense.

In the realm of sales service to our patrons, TWA in August activated the latest in electronic reservations equipment—the Magnetronic Reservisor—in four of its major markets, New York, Chicago, Los Angeles and San Francisco.

This equipment is designed to accommodate more economically and efficiently a greatly expanded volume of requests for seats. The benefits of this system to both our customers and Company will gradually be extended to all TWA cities.

PASSENGER SERVICE

Continuing refinements were made in our program to upgrade service to our passengers, while at the same time preparing for the increased number of customers expected with introduction of jets in 1959.

Greater emphasis was placed on training personnel, and increased efficiency in provisioning our flights under a constant cost control program. More than five million meals were served our passengers in flight during the past year through the facilities of seven TWA food units supplemented by 42 commercial caterers. This involved, for example, the purchase and preparation of more than a million pounds of meat and poultry products.

Plans were made and work begun on a new hostess training school to be located in the Company's building at Mid-Continent International Airport at Kansas City, Missouri.

This installation, together with arrangements for improved housing facilities for the students, ensures a more modern and efficient hostess training program without the necessity of constructing a separate facility for this activity.

A complete "new look" in service is planned, featuring new and distinctive passenger service items tailored to blend with the decor of the TWA jet aircraft. Provisions have been made to expedite our handling of greater numbers of passengers in keeping with the accelerated tempo of jet travel. This has involved the design and ordering of new, self-propelled loading equipment, including new methods and equipment for the loading and unloading of baggage.

Expanded use of closed-circuit TV for ramp surveillance and research for use of light-weight transistorized two-way radio communications promise more efficient and faster handling of our aircraft, customers and cargo.

Trans World Airlines, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1958 AND 1957

ASSETS

CURRENT ASSETS:

	DEC. 31 1958	DEC. 31 1957
Cash.....	\$ 23,451,549	\$ 20,407,729
United States Government securities—at cost plus accrued interest (approximates market)	17,708,518	3,500,000
Accounts receivable:		
United States Government—Mail, passenger, and other	5,266,258	5,071,580
Governments outside the United States.....	496,343	710,185
Net traffic and express balances and other receivables—less reserve of \$418,085 in 1958 and \$432,500 in 1957	18,187,985	15,781,321
Estimated refund of Federal income taxes arising from loss carry- back (Note 2)		2,488,775
Inventory of spare parts, materials, and supplies, at average cost—less reserve for obsolescence, \$2,176,733	12,494,547	13,771,725
Prepaid insurance, rents, etc.....	2,572,783	2,286,964
Total current assets.....	<u>80,177,983</u>	<u>70,106,300</u>

SPECIAL FUNDS, INVESTMENTS, AND OTHER

NON-CURRENT ASSETS	<u>3,027,436</u>	<u>1,915,296</u>
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**PROPERTY AND EQUIPMENT—Less reserves for depreciation and
amortization—See summary (approximately all flight equipment is
mortgaged to secure long-term debt). (Note 3)**

<u>161,196,862</u>	<u>172,073,965</u>
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**INTANGIBLE ASSET—Air route acquired through subsidiary dis-
solved in 1947.....**

<u>309,801</u>	<u>309,801</u>
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DEFERRED DEBITS:

Long-term prepayments	1,716,025	1,669,028
Costs relating to new overhaul base—unamortized portion (Note 2)	2,041,330	2,665,226
Training and other costs applicable to new aircraft acquired or to be acquired—unamortized portion (Note 2)	4,662,372	4,153,300
Miscellaneous.....	1,136,672	713,580
Total deferred debits.....	<u>9,556,399</u>	<u>9,201,134</u>

TOTAL	<u>\$254,268,481</u>	<u>\$253,600,019</u>
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LIABILITIES

CURRENT LIABILITIES:

	DEC. 31 1958	DEC. 31 1957
Short-term notes payable to banks		\$ 12,000,000
Current maturities of long-term debt	\$ 14,207,616	12,151,791
Accounts payable, employees' deductions, etc.	31,182,650	21,621,562
Air travel plan deposits	3,762,184	3,652,426
Accrued Federal, state, and foreign income taxes	215,831	475,041
Accrued salaries, wages, and vacation pay	9,633,594	9,160,789
Unearned transportation revenue	5,685,090	5,794,039
Total current liabilities	<u>64,686,965</u>	<u>64,855,648</u>

LONG-TERM DEBT—Portion maturing after one year—see summary..

<u>67,087,773</u>	<u>63,170,864</u>
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DEFERRED FEDERAL INCOME TAXES (Note 2)

<u>12,327,317</u>	<u>13,652,280</u>
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STOCKHOLDERS' EQUITY:

Capital stock—Authorized, 10,000,000 shares, par value \$5 per share— issued and outstanding, 6,674,155 shares in 1958 and 6,674,113 shares in 1957	33,370,775	33,370,565
Surplus paid-in for, or assigned to, capital stock in excess of par value Earnings employed in the business (Note 1 and Note to summary of long-term debt)	48,925,395	48,925,025
	27,870,256	29,634,637
Total stockholders' equity	<u>110,166,426</u>	<u>111,930,227</u>

TOTAL

\$254,268,481

\$253,609,019

Trans World Airlines, Inc. and Subsidiaries

STATEMENT OF CONSOLIDATED INCOME

FOR THE YEARS ENDED DECEMBER 31, 1958 AND 1957

	DEC. 31 1958	DEC. 31 1957
OPERATING REVENUES:		
Passenger.....	\$248,119,354	\$231,076,859
Mail:		
United States—Domestic	4,648,165	4,284,300
United States—International	5,821,694	5,336,726
Foreign governments	1,725,893	2,013,235
Freight, express, and excess baggage.....	14,610,082	14,938,333
Other	9,915,768	5,998,101
Total.....	284,840,956	263,664,554
OPERATING EXPENSES:		
Flying operations	87,191,963	82,397,707
Ground operations	41,496,457	38,035,902
Maintenance	54,490,854	50,581,405
Provision for depreciation and amortization	30,054,622	26,050,121
Amortization of deferred costs.....	1,575,976	714,700
Passenger service	19,038,480	17,076,944
Promotion and sales	34,864,418	34,044,616
General and administrative	9,687,021	11,176,779
Employees' welfare (pension, social security, etc.)	8,161,101	8,125,998
Net contributions from airlines under "mutual aid" pact	(1,342,707)	
Total.....	285,216,185	268,208,435
LOSS FROM OPERATIONS.....	375,229	4,538,901
OTHER INCOME CREDITS:		
Interest, discounts, etc.	629,213	769,944
Net gain on sale or retirement of property.....	432,564	1,192,475
Recoveries on prior years' damage claims.....		895,047
Refund of prior years' welfare insurance payments.....		1,060,915
Miscellaneous	203,263	149,382
Total.....	1,265,040	4,067,748
Remainder.....	889,811	(451,158)
OTHER INCOME CHARGES:		
Interest on long-term debt, etc.	3,715,286	2,865,040
Loss on foreign exchange.....	81,191	391,622
Miscellaneous	217,382	224,325
Total.....	4,013,859	3,540,987
LOSS BEFORE PROVISION FOR INCOME TAXES.....	3,124,048	3,992,151
PROVISION FOR INCOME TAXES (Note 2):		
Reversal of deferred Federal income taxes applicable to loss for the year	(1,324,963)	
Estimated refundable Federal income taxes, \$2,488,775, less portion		(1,461,387)
of refund, \$1,027,388, deferred to future years.....		7,087
Federal income taxes of subsidiary.....	21,975	20,446
State and foreign income taxes.....	22,750	(989,830)
Prior-years' income tax and refund adjustments	(79,429)	
Total.....	(1,359,667)	(2,433,706)
NET LOSS FOR THE YEAR.....	\$ 1,764,381	\$ 1,558,448

Trans World Airlines, Inc. and Subsidiaries

STATEMENTS OF CONSOLIDATED EARNINGS

employed in the business and surplus paid-in for, or assigned to,
capital stock in excess of par value

FOR THE YEARS ENDED DECEMBER 31, 1958 AND 1957

EARNINGS EMPLOYED IN THE BUSINESS

	DEC. 31 1958	DEC. 31 1957
BALANCE AT BEGINNING OF YEAR.....	\$29,634,637	\$31,193,063
DEDUCT:		
Loss for the year.....	<u>1,764,381</u>	<u>1,558,446</u>
BALANCE AT END OF YEAR (Note 1 and Note to summary of long-term debt)	<u>27,870,256</u>	<u>29,634,637</u>

SURPLUS PAID-IN FOR, OR ASSIGNED TO, CAPITAL STOCK IN EXCESS OF PAR VALUE

	DEC. 31 1958	DEC. 31 1957
BALANCE AT BEGINNING OF YEAR.....	48,925,025	22,420,851
ADD:		
Excess of selling price of \$13 per share over par value of 3,337,036 shares of capital stock sold in 1957 (less expenses relating to sale of stock, \$192,490)		26,503,796
Amounts arising from issuance of capital stock under Employees Stock Purchase Plan	<u>370</u>	<u>376</u>
BALANCE AT END OF YEAR.....	<u>\$48,925,395</u>	<u>\$48,925,025</u>

SUMMARY OF PROPERTY AND EQUIPMENT

and related reserves for depreciation and amortization at December 31, 1958,
and net book value, December 31, 1957

	DECEMBER 31, 1958			
	Property and Equipment (At Cost)	Reserves for Depreciation and Amortization	Net Book Value	Net Book Value, December 31, 1957
Classification of Property				
Air equipment and accessories	\$291,572,631	\$160,745,472	\$130,827,159	\$144,578,483
Ground equipment, buildings, leasehold improvements, etc.	41,740,032	17,098,442	24,641,590	21,663,432
Completed work orders—not classified.	5,728,113		5,728,113	5,832,050
Total.....	<u>\$339,040,776</u>	<u>\$177,843,914</u>	<u>\$161,196,862</u>	<u>\$172,073,965</u>

Trans World Airlines, Inc. and Subsidiaries

SUMMARY OF LONG-TERM DEBT, DECEMBER 31, 1958

	LONG-TERM PORTION	
	DEC. 31 1958	DEC. 31 1957
Equipment Mortgage Sinking Fund Bonds, 3½%, due December 1, 1969, payable \$1,500,000 semi-annually to and including June 1, 1969; additional annual sinking fund payments equal to one-half of the consolidated net income for the preceding year in excess of \$3,000,000 but such additional annual payment not to exceed \$2,000,000	\$31,000,000	\$34,000,000
Chattel Mortgage Notes, 5½%, payable in equal monthly instalments of \$694,444 through December 1, 1960	8,333,334	16,666,667
Conditional Sales Contracts, 3½%, assigned to banks:		
For purchase of four Lockheed Model 1649A aircraft, dated December 31, 1957, payable in equal quarterly instalments of \$383,853 through January 1, 1963	4,990,083	6,525,400
For purchase of four Lockheed Model 1049H aircraft, dated in April and May, 1958, payable in equal quarterly instalments of \$323,822 through May 15, 1963	4,533,506	
Instalment contracts for purchase of bulk storage and other facilities, final payment due in 1968	176,345	167,704
Notes payable to Hughes Tool Company, subordinated to Equipment Mortgage Bonds and Chattel Mortgage Notes:		
Bank loan dated December 31, 1957, 5½%, purchased by Hughes Tool Company on July 1, 1958	12,000,000	
Note dated December 2, 1957, plus accrued interest (at prime commercial rate)	6,054,505	5,811,000
Total	\$67,087,773	\$63,170,804

NOTE:

No principal instalment payment may be made on any conditional sales contract which would reduce to an amount less than \$12,000,000 the aggregate of TWA's cash on hand and on deposit in the United States and TWA's marketable U. S. Government securities. Certain provisions of the Equipment Mortgage and Chattel Mortgage Notes indentures will not presently permit the payment of cash dividends. In addition, a supplemental indenture dated December 27, 1957 provides that no payment will be made on the principal of unsecured indebtedness that would reduce the net working capital of TWA below \$15,000,000.

NOTES TO FINANCIAL STATEMENTS

1. The Civil Aeronautics Board, by orders issued in 1956, found that TWA had been over-paid by \$8,153,000 for the carriage of mail on its international route for the period 1946-1953. This resulted from the decision of the Board that TWA's domestic route allegedly had excess earnings during that period which should be applied to reduce the need for subsidy with respect to TWA's international operations. TWA filed a petition for review with the United States Court of Appeals for the District of Columbia, and on January 23, 1958, the Court vacated the order of the Civil Aeronautics Board and remanded the case to the Board for reconsideration.

Pending final determination, no provision has been made in the accounts or in the accompanying financial statements for these orders.

2. In its Federal income tax returns for 1956 and certain prior years, TWA has claimed accelerated amortization of property under Certificates of Necessity and used ac-

celerated methods of depreciation for other properties in lieu of the straight-line method of depreciation used for accounting purposes. In its 1957 return TWA discontinued the use of accelerated depreciation on certain property but continued to use such methods of depreciation on other properties acquired during 1955 and 1956. If the same treatment is employed for 1958, the excess of depreciation recorded in the accounts over amortization and depreciation as determined for income tax purposes would amount to approximately \$540,000 for that year.

Under a policy adopted by TWA in 1956, costs of training flight crews and other personnel in connection with the acquisition of new types of aircraft, moving costs to a new overhaul base, and other developmental activities are deferred and amortized over suitable five-year periods. These charges, which have been deferred for accounting purposes, are claimed as deductions for income tax purposes in the year incurred. The excess of amort-

ACCOUNTANTS' CERTIFICATE

HASKINS & SELL
CERTIFIED PUBLIC ACCOUNTANTS

TEMPLE BUILDING
KANSAS CITY 6

March 4, 1959

To the Stockholders and Board of Directors
of Trans World Airlines, Inc.:

We have examined the consolidated balance sheet of Trans World Airlines, Inc. and its subsidiaries as of December 31, 1958 and the related statement of consolidated income and supplemental financial statements for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except that final determination has not been made of the net amount which may be due to the United States Government on mail and subsidy payments applicable to years prior to 1954 (as set forth in Note 1 to financial statements), the accompanying consolidated balance sheet, statement of consolidated income, and supplemental financial statements, with their notes, present fairly the financial position of the companies at December 31, 1958 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (except for changes in depreciation policy as stated in Note 3 to the financial statements) on a basis consistent with that of the preceding year.

Haskins + Sell

ization recorded on the books over such charges for 1958 amounted to \$97,300.

A refund of Federal income taxes of \$2,488,775 was received in 1958 as a result of the carry-back of the 1957 loss, as adjusted to a tax basis, to 1955. All Federal income taxes paid for the year 1955 have been recovered under this carry-back.

Net Federal income taxes paid for the years 1950 to 1957, inclusive, are subject to further adjustment upon final determination of foreign income taxes, but it is believed that net adjustments to income from such sources should not be material.

3. Effective January 1, 1958, TWA increased residual values on certain aircraft and engines as ordered by the Civil Aeronautics Board. As of the same date, provision for depreciation of other flight equipment (propellers, radios, accessories, etc.) was related to the estimated terminal dates of the aircraft with which such equipment is identified instead of service lives previously used, resulting in longer service lives for some items and shorter service lives for others. These changes in depreciation policy resulted in provision for depreciation on flight equipment for the year 1958 approximately \$2,100,000 less than if prior residual values and service lives had been used.

4. The present annual cost of TWA's retirement plans for officers and employees is estimated at \$3,650,000, based upon current actuarial studies and interest rates. The unpaid balance of past service benefits, after applying nine annual payments of \$658,000, is estimated at approximately \$765,000. The plans may be discontinued by TWA in whole or in part at any time.

5. Commitments and Contingent Liabilities:

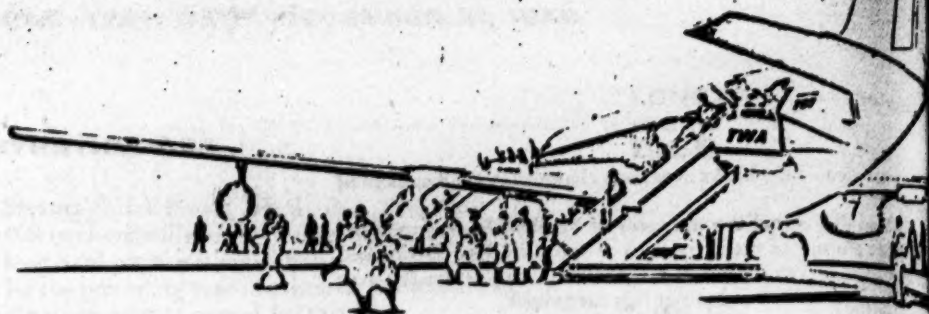
Hughes Tool Company has placed orders, under contracts assignable to TWA, for fifteen Boeing 707-131 aircraft, eighteen Boeing 707-331 aircraft, and thirty Convair 880 aircraft, for delivery beginning in 1959. These contracts are subject to modification in number and model of aircraft covered and as to specifications of the aircraft, including seating capacity. Hughes is not committed to sell any of these aircraft to TWA, nor is TWA committed to buy any of them from Hughes. Any such transaction between TWA and Hughes requires approval of the Civil Aeronautics Board.

Leases for TWA's overhaul base, hangars, office space, etc. are on varying terms and rentals. The aggregate annual rental under such leases in effect at December 31, 1958 was approximately \$700,000.

In addition, TWA has executed agreements or is presently negotiating for the construction for lease by TWA of a hangar, a second airport with related terminal facilities, and a unit terminal, all of approximate cost of approximately \$32,000,000. Rental payments on these long-term leases (which vary from twenty-five to thirty years) will be based on the amortization of the construction costs, the charges, and interest on the unamortized portion.

Other additional contingent liabilities exist but management is of the opinion that the possibility of material payments thereon is remote.

Management and legal counsel know of no litigation pending against TWA other than that described in Note 1. In their opinion, should such litigation result in liability which, over and above insurance coverage in respect thereof, would materially affect TWA's financial condition or interfere with its operations.



TWA Reservations Sales Office; courteous, well-trained agents using modern electronic equipment are able to confirm reservations requests quickly and accurately.

A flight crew is briefed at Idlewild International Airport, for a non-stop flight to London. Enroute weather is studied and the operation of the entire flight carefully pre-planned.

Captain on the flight deck of a TWA SuperJet. TWA is proud of its million-mile flight crews—thoroughly trained for exacting duties.

Gracious hostesses serve delicious in-flight meals. Galleys in TWA's Jetliners are designed to make it easier for hostesses to serve passengers with friendly efficiency.

Training courses are conducted continually for flight and ground personnel. TWA's major Training Center is at Kansas City, but extensive on-the-job training is also conducted at various field locations.

Highly trained maintenance personnel examine major components of TWA aircraft at well-equipped maintenance and overhaul bases.

Skilled mechanics inspect and repair a precision-built jet engine. These dependable engines with enormous power are a marvel of engineering achievement.

Financing

TWA is negotiating with proposed lenders, both banks and insurance companies, for a long term financing of its jet equipment requirements and for a refunding of existing long term debt. Pending firm commitments for such long term financing TWA has operated its jet fleet, consisting of 15 Boeing 707-131 (transcontinental) and 5 Boeing 707-331 (SuperJet intercontinental) on day-to-day leases from the Hughes Tool Company. With a minor exception no rental payments have as yet been made under such leases and none is contemplated until consummation of the long term financing. At the year end the accrued and unpaid rentals on these leases amounted to \$8,682,000. During 1960 the Company will operate additional Boeing 707-331 aircraft and a fleet of Convair 880 jet aircraft.

During 1959 TWA improved its long term borrowing capabilities by reducing its debt for money borrowed from \$81,295,000 to \$52,866,000.

Additions to the property account of \$20,084,000, approximately the same as the year before, mainly represent provisioning and spare engines for the jet fleet, costing \$15,019,000, and additional ground equipment principally for jet service, amounting to \$4,794,000. Beyond this, the Company capitalized \$10,117,000 of jet integration costs, to be amortized over a five-year period.

New Organization

While the story of 1959 is essentially the success story of TWA jets, it obviously required an infinite amount of planning, organizing and preparation to integrate this faster, larger aircraft into the fleet

Trans World Airlines, Inc. and Subsidiaries

	LONG-TERM PORTION	
	December 31, 1959	December 31, 1958
SUMMARY OF LONG-TERM DEBT		
Equipment Mortgage Sinking Fund Bonds, 3¾%, due December 1, 1969, payable \$1,500,000 semi-annually to and including June 1, 1969; additional annual sinking fund payments equal to one-half of the consolidated net income for the preceding year in excess of \$3,000,000 but such additional annual payment not to exceed \$2,000,000	\$26,000,000	\$31,000,000
Chattel Mortgage Notes, 5¼%, payable in equal monthly instalments of \$694,444 through December 1, 1960		8,333,334
Conditional Sales Contracts, 3½%, assigned to banks:		
For purchase of four Lockheed Model 1649A aircraft, dated December 31, 1957, payable in equal quarterly instalments of \$383,853 through January 1, 1963	3,454,673	4,990,083
For purchase of four Lockheed Model 1049H aircraft, dated in April and May, 1958, payable in equal quarterly instalments of \$323,822 through May 15, 1963	3,238,219	4,533,506
Instalment contracts for purchase of bulk storage and other facilities, final payment due in 1968	259,043	176,345
Notes payable to Hughes Tool Company, subordinated to Equipment Mortgage Bonds and Chattel Mortgage Notes:		
Bank loan dated December 31, 1957, 5¼%, purchased by Hughes Tool Company on July 1, 1958		12,000,000
Note due December 1, 1960, plus accrued interest (at prime commercial rate)		6,054,505
TOTAL	<u>\$32,951,935</u>	<u>\$67,087,773</u>

Notes:
No principal instalment payment may be made on any conditional sales contract which would reduce to an amount less than \$12,000,000 the aggregate of TWA's cash on hand and on deposit in the United States and TWA's marketable U. S. Government securities. Certain provisions of the Equipment Mortgage and Chattel Mortgage Notes indentures will not presently permit the payment of cash dividends. In addition, a supplemental indenture dated December 27, 1957 provides that no payment will be made on the principal of unsecured indebtedness that would reduce the net working capital of TWA below \$15,000,000.

ACCOUNTANTS' OPINION

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS OF TRANS WORLD AIRLINES, INC.:

We have examined the consolidated balance sheet of Trans World Airlines, Inc. and its subsidiaries as of December 31, 1959 and the related statements of consolidated income and earnings employed in the business for the year then ended and the supplemental summary schedules of property and long-term debt. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except that final determination has not been made of the net amount which may be due to the United States Government on mail and subsidy payments applicable to years prior to 1954 (as set forth in Note 1 to financial statements), the accompanying financial statements and supplemental schedules present fairly the financial position of the companies at December 31, 1959 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (except for changes in depreciation policy and as to accumulation of reserves for overhaul of jet aircraft as stated in Notes 3 and 6, respectively, to the financial statements) on a basis consistent with that of the preceding year.

Kansas City, Missouri
March 4, 1960

Haskins & Sells

TWA

ANNUAL REPORT 1960

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decor and appointments of the TWA Convair SuperJet lounge
the speed, luxury and quiet smoothness of jet flight.



With the Government stressing increased travel by Europeans to the U.S., TWA is placing added emphasis on the "Travel USA" bureaus established in several European cities early in 1960. The bureaus, which supply information and brochures on travel in the United States, are proving extremely popular with potential travelers.

International Division Celebrates Fifteenth Anniversary

TWA's International Division celebrated fifteen years of outstanding service to the traveling public on February 5, 1961.

Pioneering the first scheduled commercial passenger flight between the United States and Paris, the sleek new Constellation took off from New York's La Guardia Field on February 5, 1946. Carrying the then-record total of 36 civilian passengers, the Connie flew to Paris via Gander, Newfoundland, and Shannon, Ireland, in 16 hours and 21 minutes. Fifteen years later the same pilot, Capt. Frank Blackburn, lifted a huge Boeing SuperJet from the runway at New York International Airport and landed in the French capital just 6 hours and 23 minutes later.

In between the two historic trips, TWA operated 17,367 trans-Atlantic flights, transporting 1,808,440 passengers. On all international services during these fifteen years TWA logged 8,383,053,000 revenue passenger miles and flew 117,715,372 miles of air freight.

A board of directors accepted the resignation of Charles S. Thomas as president in July 1960. For the remainder of the year, policy decisions normally made by the chief executive were made by the executive committee consisting of six directors. Three of these were officers of the Company: Warren Lee Pierson, chairman, E. O. Cocke and A. V. Leslie. The other members were Sidney Maestre, Harry E. Rogers and Thomas A. Slack.

With regret the directors learned of the death on December 25 of A. D. Simpson, who had served the company as a board member since 1947. Mr. Simpson was a leading figure in the financial, business and community life of Houston, Texas.

TRANSPORTATION AND TECHNICAL SERVICES

TWA emerged as the industry leader in domestic on-time performance and reliability during 1960. With the transportation and technical services departments working hand in hand, TWA's jet performance reliability for some months was as much as 15 per cent better than its principal competitors. Newspapers, aviation trade magazines and other publications applauded the TWA reliability lead in their news columns.

Another major accomplishment was the improved jet maintenance schedules which now save TWA about \$2,000,000 annually. Because of the excellent technical services program, TWA was authorized by the Federal Aviation Agency to extend the time between major overhauls of jet engines and airframes. This gave TWA in 1960 the highest jet engine reliability rating ever granted by the FAA.

An industry first was the symposium of TWA officials and representatives of manufacturers and suppliers to study methods of halting the fast-rising costs of products and supplies. As a result, substantial cost reductions were effected. A pooling arrangement of jet spare parts with ten international airlines resulted in estimated savings of \$1,000,000 for TWA.

NEW LOOK

TWA's corporate image as the Friendly, Reliable airline was considerably enhanced by many new service features.

The projection of a "new look" for TWA began early in the year, as a long-range program to restyle all facilities and equipment got under way. A new corporate insignia was introduced, retaining the traditional red block TWA letters in a new setting of a gold outline of interlocking hemispheres symbolizing TWA's world-wide services. The insignia is being affixed to all TWA facilities and equipment.

Passenger service facilities, both in flight and on the ground, received fresh emphasis. Menu choices were increased for in-flight meals; new recipes were developed. Higher standards for first class service were initiated.

At New York International Airport, exterior work on the \$15,000,000 terminal designed by Eero Saarinen was completed and interior work begun. New or expanded facilities are also being completed at Chicago, Los Angeles, San Francisco, London, Paris and Madrid.

SALES

An aggressive sales effort produced the second largest revenue gain in TWA history. Operating revenues showed an 8.6 per cent increase over 1959—the year in which the jets were introduced.

The problem of increasing TWA's share of the cargo market received high priority during 1960. A specially reorganized and enlarged sales force concentrated on development of business for an expanded all-cargo fleet of long-range Jetstreams. Six of the Jetstreams were converted to all-cargo Super Sky Merchants, making possible a 70 per cent increase in cargo schedules. New shippers were being attracted through the use of newly developed containers designed especially to handle fragile items and perishable commodities. The "booked air freight" program providing for reserved space on specific flights was expanded and improved.

Reservations and ticket offices in ten major cities throughout the world were expanded and improved. The Teleflight electronics reservations system was extended to several off-line cities. Eight new sales and ticket offices were opened overseas. In the U. S. additional sales outlets were obtained through the installation of teletype ticketing machines in travel agencies and offices of major commercial accounts. A system of "air-check tickets" enabled passengers to write their own tickets.

OUTLOOK FOR 1961

While the financial outlook of your Company in 1961 is to a degree dependent on business conditions generally, several developments within the Corporation itself hold forth promise for a successful year.

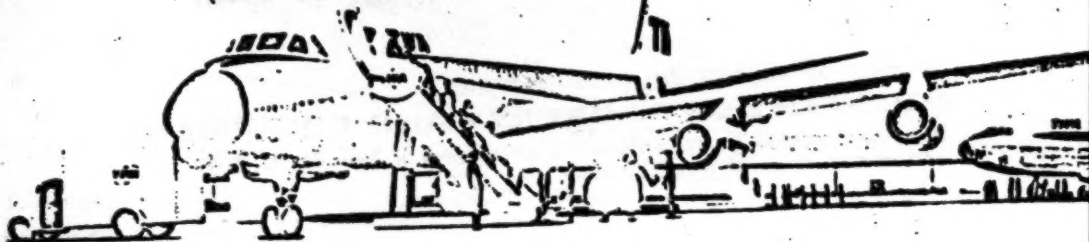
The immediate and enthusiastic public acceptance of the Convair SuperJets, 20 of which will be in service this year, will provide a greater opportunity to participate in profitable domestic markets. Also TWA will have all its international jet aircraft in operation for the full season, a factor which will help to offset the greatly increased competition from foreign carriers across the North Atlantic.

On February 28 of this year a special stockholders meeting, called by Voting Trust Ernest R. Breech and Irving S. Olds, elected six new members of the board of directors as follows: Mr. Breech; George R. Brown, partner of Herman Brown and George R. Brown Engineering and Investments, of Houston, Texas; Clifford F. Hood, formerly President of U. S. Steel; Barry T. Leithead, President of Cluett, Peabody & Co., Inc.; Hughston M. McBain, a Director of Marshall Field and Co., the First National Bank of Chicago and other companies; and John A. McCone, Chairman of Joshua Hendy Corp. and former Chairman of the Atomic Energy Commission.

The newly reconstituted Board on March 1, 1961 elected Charles C. Tillinghast, Jr. President and Chief Executive Officer effective April 17. He will also serve on the Board of Directors. At the time of his election to the TWA presidency, Mr. Tillinghast was Vice President International Operations for The Bendix Corporation as well as a member of the Board of Directors and of the Administration Committee for that company. Before joining Bendix in 1954, Mr. Tillinghast was a partner in the New York law firm of Hughes, Hubbard, Blair and Rouse.

WA





TRANS WORLD AIRLINES, INC. AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED EARNINGS EMPLOYED IN THE BUSINESS

For the Years Ended December 31, 1960 and 1959

	YEAR ENDED DECEMBER 31	
	1960	1959
BALANCE AT BEGINNING OF YEAR	\$37,271,867	\$27,870,256
NET INCOME FOR THE YEAR	6,473,466	9,401,611
BALANCE AT END OF YEAR (Note 1 and Note to summary of long-term debt)	<u>\$43,745,333</u>	<u>\$37,271,867</u>

SUMMARY OF LONG-TERM DEBT

December 31, 1960 and 1959

Equipment Mortgage Sinking Fund Notes, 6½%, due December 31, 1972; annual sinking fund payments required starting December 31, 1965 sufficient to redeem \$11,600,000 principal plus interest on each December 31; additional annual special fund payments of \$6,100,000 required each December 31 from 1965 to 1969, inclusive

LONG-TERM PORTION	
DECEMBER 31	
1960	1959
\$ 62,800,000	
56,400,000	
	\$26,000,000
1,919,263	3,454,673
1,942,932	3,238,219
179,675	259,043
<u>100,000,000</u>	
<u>\$223,241,870</u>	<u>\$32,951,935</u>

Under provisions of the Indenture of Mortgage dated as of December 1, 1960 covering Equipment Mortgage Sinking Fund Notes and Equipment Mortgage Serial Notes, retained earnings at December 31, 1960 are not available for payment of cash dividends.

No principal instalment payment may be made on any conditional sales contract which would reduce to an amount less than \$12,000,000 the aggregate of TWA's cash on hand and on deposit in the United States and TWA's marketable U.S. Government Securities.

Under an agreement dated as of December 1, 1960 Hughes Tool Company established a revolving credit in favor of TWA. Under certain conditions, TWA may borrow up to \$50,000,000 under this agreement.

See Note 4 to Financial Statements.

Supplementing notes to financial statements constitute an integral part of this statement.

TRANS WORLD AIRLINES, INC. AND SUBSIDIARIES

SUMMARY OF PROPERTY AND EQUIPMENT

and related reserves for depreciation and amortization at December 31, 1960,
and net book value, December 31, 1959

DECEMBER 31, 1960

CLASSIFICATION OF PROPERTY	PROPERTY AND EQUIPMENT (AT COST)	RESERVES FOR DEPRECIATION AND AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE DECEMBER 31, 1959
FLIGHT EQUIPMENT, AND ACCESSORIES	\$425,343,639	\$185,561,070	\$239,782,569	\$114,610,815
GROUND EQUIPMENT, BUILDINGS, LEASEHOLD IMPROVEMENTS, ETC.	54,122,952	23,000,878	31,122,074	29,699,963
UNCOMPLETED WORK ORDERS— Not classified (including deposits with aircraft manufacturer)	23,847,545		23,847,545	1,150,233
Total	<u>\$503,314,136</u>	<u>\$208,561,948</u>	<u>\$294,752,188</u>	<u>\$145,461,011</u>

The accompanying notes to financial statements constitute an integral part of this statement.

ACCOUNTANTS' OPINION

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS OF TRANS WORLD AIRLINES, INC.:

We have examined the consolidated balance sheet of Trans World Airlines, Inc. and its subsidiaries as of December 31, 1960 and the related statements of consolidated income and earnings employed in the business for the year then ended and the supplemental summary schedules of property and long-term debt. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except that final determination has not been made of the net amount which may be due to the United States Government on mail and subsidy payments applicable to years prior to 1954 (as set forth in Note 1 to financial statements), the accompanying financial statements and supplemental schedules present fairly the financial position of the companies at December 31, 1960 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kansas City, Missouri
March 4, 1961

Haskins & Sells



NOTES TO FINANCIAL STATEMENTS

1. The Civil Aeronautics Board, by orders issued in 1956, found that TWA had been over-paid by \$8,153,000 for the carriage of mail on its international route for the period 1946-1953. This resulted from the decision of the Board that TWA's domestic route allegedly had excess earnings during that period which should be applied to reduce the need for subsidy with respect to TWA's international operations. TWA filed a petition for review with the United States Court of Appeals for the District of Columbia and, on January 23, 1958, the Court vacated the order of the Civil Aeronautics Board and remanded the case to the Board for reconsideration.

Pending final determination, no provision has been made in the accounts or in the accompanying financial statements for these orders.

2. In its Federal income tax returns for certain prior years TWA claimed accelerated amortization of property under Certificates of Necessity and used accelerated methods of depreciation for other properties in lieu of the straight-line method of depreciation used for accounting purposes. In its 1959 return, TWA continued to use such methods of depreciation on certain properties acquired during 1955 and 1956 and on airframes and related engines placed in service in 1958 and 1959. If the same treatment for tax purposes is employed for 1960 (and as used in the accompanying statements), the excess of depreciation and amortization determined for income tax purposes over depreciation recorded in the accounts would amount to approximately \$3,275,000 for that year.

Under a policy adopted by TWA in 1956, costs of training flight crews and other personnel in connection with the acquisition of new types of aircraft, other developmental activities, etc., are deferred and amortized over suitable five-year periods. These charges, which have been deferred for accounting purposes, are claimed as deductions for income tax purposes in the year incurred. The excess of such charges for 1960 over amortization recorded on the books amounted to \$3,163,000.

Net Federal income taxes paid for years subsequent to 1949 are subject to further adjustment upon final determination of foreign income taxes, but it is believed that net adjustments to income from such sources should not be material.

3. The present annual cost of TWA's retirement plans for officers and employees is estimated at \$3,120,000. The past service benefits are substantially paid up. The plans may be discontinued by TWA in whole or in part at any time.

4. On December 30, 1960, TWA concluded a loan agreement with nine banks for borrowings totalling \$72,200,000, evidenced by 6% equipment mortgage serial notes, of which \$66,200,000 had been made available at December 31, 1960; the balance of \$6,000,000 has been received in 1961. On the same date loan agreements were concluded with two insurance companies for a total of \$92,800,000, evidenced by 6½% equipment mortgage sinking fund notes, of which \$62,800,000 had been made available at December 31, 1960; the balance of \$30,000,000 has been received in 1961.

In addition an interim subordinated promissory note in the amount of \$100,000,000 was issued by TWA on December 30, 1960. See accompanying summary of long-term debt.

5. During 1960, TWA purchased fifteen Boeing 707-131 aircraft and twelve Boeing 707-331 aircraft, including those previously leased from Hughes Tool Company. In addition TWA purchased one Convair 880 aircraft and acquired from Hughes Tool Company rights to acquire and deposits made with the manufacturer on nineteen additional Convair 880 aircraft, of which eight were purchased during January and February 1961. Additional payments due to the manufacturer on the foregoing nineteen aircraft approximated \$60,000,000 at December 31, 1960.

6. Commitments and Contingent Liabilities:

Leases for TWA's overhaul base, hangars, office space, etc. are for varying terms and rentals. The aggregate annual rental under such leases in effect at December 31, 1960 was approximately \$6,250,000.

TWA has executed agreements for the construction for lease by TWA of a hangar, a second hangar with related terminal facilities, and a unit terminal, all of an aggregate cost of approximately \$23,000,000. Rental payments on these long-term leases (which vary from twenty-five to forty years) will be based on the amortization of the construction costs, other charges, and interest (estimated to total \$18,500,000) on the un-amortized portion.

Certain additional contingent liabilities exist but TWA is of the opinion that the possibility of material payments thereunder is remote.

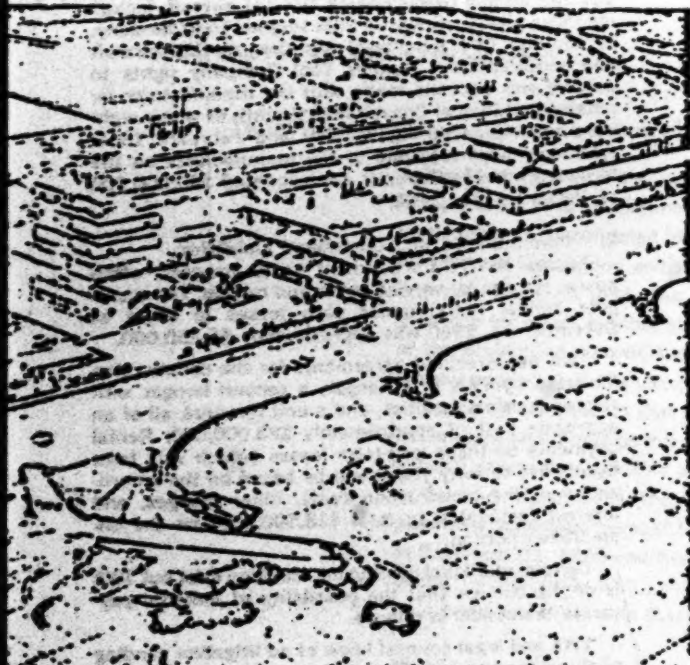
TWA and legal counsel know of no litigation pending or threatened against TWA other than that described in Note 1 which in their opinion would result in liability which, over and above any insurance coverage in respect thereof, would materially affect TWA's financial condition or interfere with its operations.



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Parisian visitors will welcome the luxurious new terminal facilities at Orly Field.

TWA's Board of Directors



R. BREECE

Mr. Breece is chairman of the board of Ford Motor Co. Mr. Breece was elected TWA chairman on April 27. He formerly served as president and chairman of American Aviation, and as a director of Continental & Western in the early thirties.



CHAS. C. TILLINGHAST, JR.
PRESIDENT

A former vice president-international operations for The Bendix Corporation, Mr. Tillinghast assumed office as president and chief executive officer of TWA on April 17, 1961. He is a former partner in the New York law firm of Hughes, Hubbard, Blair and Reed.



E. O. COCKE
SENIOR VICE PRESIDENT,
INDUSTRY AFFAIRS

Mr. Cocke, 33-year veteran with TWA, was named senior vice president-industry affairs last September. Named to the TWA board in 1948, he has held numerous executive positions. He is a member of the executive committee of IATA.



FLOYD D. HALL
SENIOR VICE PRESIDENT,
SYSTEM GENERAL MANAGER

Mr. Hall was named senior vice president and system general manager on September 1, 1961, from his position as vice president and general transportation manager. A veteran pilot, he was elected to the TWA board last April.



A. V. LESLIE
SENIOR VICE PRESIDENT,
FINANCE AND TREASURER

Mr. Leslie, senior vice president-finance and treasurer, was elected to the TWA board in 1947. His wide financial experience includes executive positions with the Carnegie Corporation, Mellon National Bank and Trust Co. and Hughes Tool Co.



R. BROWN

Mr. Brown is executive vice president of Brown & Root, Houston engineering construction firm. In addition to other activities, he is a member of the board of directors of Rice University.



CHARLES S. HOBBS

Mr. Hobbs, president and general manager of Hale Brothers Stores, San Francisco, was elected to the TWA board on Feb. 21, 1962. He replaces John A. McCone, the new director of the CIA.



RAYMOND M. HOLLIDAY

Mr. Holliday is executive vice president of the Hughes Tool Co. In December, 1960 he was named as one of three Voting Trustees for the TWA stock owned by the Hughes Tool Co.



CLIFFORD F. HOOD

A member of the board and executive committee and former president of the United States Steel Corp., Mr. Hood served previously as president of Carnegie-Illinois Steel Corp.



BARRY T. LEITHEAD

Mr. Leithead is president of Cluett, Peabody & Co., Inc. and a director of The B. F. Goodrich Co., Manufacturers Trust Co., The Travelers Insurance Co. and West Virginia Pulp & Paper Co.



H. HESTON

Mr. Heston has served as a member of the TWA board since 1959. Chairman of the board of The Mercantile Co., St. Louis, he is widely known in the insurance industry.



HUGHSTON M. MCBAIN

A director and former chairman of the board of Marshall Field & Co., Mr. McBain is also a director of Illinois Bell Telephone, First National Bank of Chicago and Libby, McNeil & Libby.



WARREN LEE PIERSON

Mr. Pierson served TWA with distinction for 14 years as board chairman, representing the company and his country in industry affairs and matters of international trade.



BEN-FLEMING SESSEL

Mr. Sessel, senior vice president of Irving Trust Company, New York, and widely known investment and security authority, has served on the TWA board of directors since 1955.



THOMAS A. SLACH

Mr. Slach is a retired Houston, Texas, lawyer. Former vice president and general counsel of the Hughes Tool Co., he has been a member of TWA's board of directors since 1956.

TO ALL SHAREHOLDERS

1961 was a year of reorganization and rebuilding. Although a disappointing one financially for the airline industry as a whole and for TWA in particular, the year was marked by positive steps which should enable us to capitalize on jet age opportunities for service and profits in the years ahead.

When I became president of your Company on April 17, 1961, TWA had been without an executive head since July, 1960. First quarter losses before tax credits of \$16,678,000 had been incurred. Delays in the acquisition of turbine-powered aircraft were having a deep impact on TWA's competitive position and profitability.

TWA owned insufficient jets even to retain for long its then deteriorated competitive position in domestic and trans-Atlantic markets. It was quite apparent that if the Corporation were to avoid a further erosion of its industry position, one or more major re-equipment programs would have to be undertaken without delay.

With the benefit of studies and negotiations already under way, orders were promptly placed and financial arrangements concluded for 26 of the newest and most modern Boeing turbo-fan jet aircraft for delivery in 1962. Concurrently four Boeing 720B turbo-fan jets were leased and shortly placed in service along with the 20 Convair 880 jets which were integrated into the fleet during the year.

This prompt order enabled your Company to obtain advantageous delivery positions and to avoid certain pending price increases. Early in 1962 an additional order was placed for Boeing short-to-medium range turbo-fan jets, and the 1961 order was modified. The Boeing orders will now provide, exclusive of the four 720B's under temporary lease, 18 long range 707-131B turbo-fan jets this year, five super long range 707-331B turbo-fan jets roughly at year's end, and ten 727 short-to-medium range turbo-fan jets in 1964.

In step with modernizing our flight equipment, programs to provide the finest in ground facilities for our passengers' convenience and comfort were carried forward. Outstanding new terminal facilities, some with out-of-the-weather boarding, were opened in Atlanta, Columbus, Dayton, Los Angeles, Nashville, Tulsa, Rome and Paris. In the first part of 1962, a magnificent new terminal was opened in Chicago, soon to be followed by the internationally acclaimed Trans World Flight Center at New York International Airport.

During 1961, we expanded our Teleregister electronic reservations system which, when completed, will provide almost instantaneous reservations service over the entire Domestic and International system. By increasing communications speed and reducing the incidence of communications error, it will also help to minimize the venous and expensive problems of no-shows and inadvertent over-bookings.

These steps reflected a basic decision that in the long run TWA could maintain a sound competitive position only through the pursuit of the highest standards of quality. Thus in the necessary effort to achieve savings in a year of airline depression, economies were limited to areas which would not impair the basic excellence of TWA's services.

Success in maintaining the essential quality of TWA's services is attested by the Company's continued leadership in jet on-time arrivals and departures. As shown by statistics on file with the Civil Aeronautics Board, TWA consistently led its transcontinental competitors in this field throughout most of the year. Great credit is due to our flight, ground service and maintenance personnel for making this possible.

A major factor in TWA's record of on-time performance was the excellence of its jet engine maintenance. The best measure of a carrier's success in this area is the Time Between Overhauls (TBO) permitted by the Federal Aviation Agency on the basis of actually experienced engine performance. Since the introduction of jet engines, TWA has been a leader in this field and at year's end it achieved a new high in becoming the first and only carrier to be allowed a TBO of 2600 hours on the JT3 engines which power its domestic Boeings. Nothing could speak more eloquently of the quality of TWA's technical services.

As the year progressed, TWA showed significant progress in achieving greater market penetration. Your Company's share of the domestic trunk market increased to 15 per cent in the second half from 14 per cent in the first half. Internationally our share of the market rose from 11.7 per cent in the first half to 13.1 per cent in the second.

While committed to a policy of maintaining the highest standard of quality, your management recognized its responsibility for maintaining a tight rein on expenses. Close budgetary control, flight scheduling for better utilization, and careful management planning resulted in economies, which with a wider utilization of jet aircraft, reduced our unit cost per available ton mile 1.9 cents or 6 per cent below 1960. This compares very favorably with major competitors.

Notwithstanding these economies, the past year was one of substantial losses. Due to a variety of factors, a number of which are reported herein, revenues fell approximately \$16,000,000 below those of the year before, totaling \$362,453,000 compared to \$378,350,000 in 1960. Starting with a first quarter deficit of \$9,326,000 after tax credits, your Company lost \$14,745,000 from operations, after tax credits, and after interest charges which were \$12,737,000 greater than the year before. Extraordinary losses on the sale of used piston aircraft amounted to \$2,689,000 net of taxes. This amount is

TRANS WORLD AIRLINES, INC. AND SUBSIDIARIES

SUMMARY OF LONG-TERM DEBT

December 31, 1961 and 1960

Subordinated Income Debentures, 6½%, due June 1, 1978, plus accrued interest \$523,614; annual sinking fund payments in an amount equal to one-tenth of the aggregate principal amount outstanding on June 30, 1973 are required each November 30 from 1973 to 1977 inclusive

Interim subordinated promissory note due Hughes Tool Company

Equipment Mortgage Sinking Fund Notes:

6½%, due December 31, 1972; annual sinking fund payments required starting December 31, 1965 sufficient to redeem \$11,600,000 principal plus accrued interest

Series B, 6%, due December 31, 1977; annual sinking fund payments required starting December 31, 1967 sufficient to redeem \$10,000,000 principal plus accrued interest

Equipment Mortgage Serial Notes:

6%, maturing \$5,200,000 quarterly commencing March 31, 1963; additional payment of \$15,000,000 required on September 30, 1963 to redeem extended notes originally maturing \$9,800,000 on December 31, 1961 and \$5,200,000 on March 31, 1962 (see Notes)

Series B, 5½%, maturing \$10,000,000 annually commencing December 31, 1963

Conditional Sales Contracts, 3½%, assigned to banks:

For purchase of four Lockheed Model 1049H aircraft, dated in April and May 1958, payable in equal quarterly instalments of \$323,822 through May 15, 1963

For purchase of four Lockheed Model 1649A aircraft, dated December 31, 1957, payable in equal quarterly instalments of \$383,853 through January 1, 1963

Installment contracts for purchase of bulk storage and other facilities, final payment due in 1970

Total

LONG-TERM PORTION

DECEMBER 31

1961

1960

\$100,523,614

\$100,000,000

92,800,000

62,800,000

22,000,000

56,600,000

56,400,000

8,000,000

647,644

1,942,932

383,853

1,919,263

109,378

179,675

\$281,064,489

\$223,241,870

The provisions of the First Supplemental Indenture dated as of July 1, 1961 covering Equipment Mortgage Sinking Fund Notes and Equipment Mortgage Serial Notes, retained earnings at December 31, 1961 are not available for payment of cash dividends.

Principal instalment payment may be made on any conditional sales contract which would reduce to an amount less than \$12,000,000 the aggregate of TWA's cash on hand and on deposit in the United States and TWA's marketable U. S. Government securities.

Loan agreements with banks and insurance companies provide that TWA may, on or before December 31, 1962, an additional \$85,000,000 evidenced by 6½% Equipment Mortgage Sinking Fund Notes, Series B and an additional \$10,000,000 evidenced by 5½% Equipment Mortgage Serial Notes, Series B. Payment of extended Equipment Mortgage Serial Notes originally maturing \$9,800,000 on December 31, 1961 and \$5,200,000 on March 31, 1962 is required no later than September 30, 1963; however, if earlier payment can be made within the provisions of the First Supplemental Indenture dated July 1, 1961, as amended, TWA shall pay the first named note on September 30 or December 31, 1962 and the second named note on December 31, 1962.

Note 5 to Financial Statements.

FINANCIAL RESULTS

Revenues

During 1963, TWA reached an all-time high in traffic. This resulted in revenues for the year of \$476,533,000, an improvement of \$73,504,000 or 15.6 percent over 1962. The major improvement was in passenger revenue, which increased \$64,113,000 or 18.4 percent. Air cargo revenue, which consists of freight and express, also rose significantly and reached \$52,240,000 up \$7,562,000 or 16.9 percent over 1962.

A breakdown of 1963 revenues between domestic and international operations is shown in Table I.

Table I

	Amounts in Thousands		
	1963	1962	Better (Worse)
Domestic Operations:			
Passenger	\$310,454	\$270,814	\$39,640
Cargo	27,108	22,616	4,492
All Other	5,883	7,481	(1,598)
Total Domestic	\$343,445	\$300,911	\$42,534
International Operations:			
Passenger	\$101,450	\$ 76,977	\$24,473
Cargo	25,132	22,062	3,070
All Other	6,506	3,079	3,427
Total International	\$133,088	\$102,118	\$30,970
Total Revenues	\$476,533	\$403,029	\$73,504

Expenses

Total expenses for the year rose to \$456,962,000, an increase of \$44,181,000 or 10.7 percent over 1962 levels. This resulted largely from a 23.2 percent increase in depreciation expense.

available ton miles produced. A comparison with 1962 expenses is summarized in Table II.

Depreciation and amortization expense was \$5,401,000 lower than 1962. The 1962 expense reflected non-recurring write-downs of piston aircraft residual values amounting to \$3,100,000 and ground facilities amounting to \$900,000. The absence of such charges plus a \$1,400,000 decrease in 1963 depreciation expense, due to the retroactive adjustment of aircraft costs, accounts for the major portion of the decrease in depreciation expense. Interest expense rose substantially during 1963. This was due in part to the near full year effect in 1963 of the \$21,000,000 of bank borrowing and the \$57,000,000 borrowed from insurance companies at various intervals in 1962. The new Convertible Subordinated Debentures issue further increased interest expense by \$400,000 during 1963. The area of miscellaneous income and expense showed a smaller net credit than in 1962 because of miscellaneous write-offs and expense adjustments.

The lowering of TWA's operating expenses, on a unit cost basis, was a contributing factor to its renewed profitability. In 1963, operating expense per available ton mile decreased from 25 cents in 1962 to 22 cents in 1963. Revenue ton mile unit costs dropped from 56 cents in 1962 to 50 cents in 1963.

Table II

	Amounts in Thousands		
	1963	1962	Better (Worse)
Operating Expenses:			
Cash operating expenses	\$386,034	\$338,773	\$(47,261)
Depreciation and amortization	51,861	57,262	5,401
Total operating expenses	\$437,895	\$396,035	\$(41,860)
Income Charges (Credits)			
Interest - net	\$ 19,250	\$ 17,722	\$(1,528)
Gain on sale of aircraft - net	(1,707)	(1,068)	639
Other - net	1,524	92	(1,432)
Total income charges - net	\$ 19,067	\$ 16,746	\$(2,321)
Total Expenses	\$456,962	\$412,781	\$(44,181)

22 cents in 1963. Revenue ton mile unit costs dropped from 56 cents in 1962 to 50 cents in 1963.

Earnings

Income before taxes of \$19,571,000 reflected an improvement of approximately \$29,323,000 over the loss (before tax credits) sustained in 1962. The comparison with 1962 is shown in Table III.

Net income for the year, after special item, of \$19,840,000 was a dramatic carry from last year's net loss of \$5,704,000.

The Company's domestic business earned \$622,000 on a pre-tax basis, including special item in 1963, an improvement of \$22,414,000 over the pre-tax loss incurred in 1962. This improvement resulted largely from sharply increased factors coupled with a 16.0 percent increase in domestic seat mile production. Profit from international operations of \$19,149,000 before tax and after special item also showed a substantial improvement over the 1962 profit of \$12,040,000.

Accounting Policy Changes

At the close of 1963, several accounting policy changes were effected. These changes bring TWA's accounting for the areas affected into greater harmony with practices followed by most of the other airlines. Their implementation had no material effect upon 1963 income and will not affect materially the Company's future operating results. Table IV summarizes these changes and their effect upon 1963 income.

The elimination of the airframe and engine overhaul reserve will simplify accounting for and the budgetary control of airframe and engine overhaul. Under the new policy, TWA will charge to current period expense the actual overhauls as incurred. The inventory value established for certain aircraft repair parts represents asset recognition of TWA's investment in such parts that are allocated for use in its airframe and engine overhaul operations. These parts had previously been expensed when assigned to these operations. Concurrently, a valuation reserve in the amount of \$1,268,000 has been established to provide for possible loss of value due to obsolescence. A further accounting change involves the narrowing of the definition of jet aircraft repair costs to exclude items which would provide future benefit. Pursuant to this change, the Company will write off such costs which had previously been deferred. In addition, the amortization period for the deferred costs has been shortened from five to three years.

These changes will substantially improve the budgetary control over interest involved. The write-off of interest conforms with the accounting treatment of interest by the CAB for rate-making purposes. The interest costs involved were incurred in the years 1961 and 1962.

An additional accounting policy change, effective January 1, 1964, involves the depreciation and residual values of jet aircraft. In light of the presently extended economic lives of jet aircraft and engines, their depreciable lives were changed from ten to eleven years. Concurrently, in recognition of the elimination

Table III

	Amounts in Thousands		
	1963	1962	1961
Operating Profit	\$ 38,638	\$ 6,994	\$31,644
Income Charges (Credits)	19,067	16,746	(2,352)
Income/(Loss) Before Provision for Taxes	\$ 19,571	\$ (9,752)	\$29,296
Provision for Income Taxes—Credit	169	4,048	(3,879)
Net Income/(Loss) for the year	\$ 19,740	\$ (5,704)	\$25,417
Special Item	100	—	—
Net Income/(Loss) for year and special item	\$ 19,840	\$ (5,704)	\$25,417

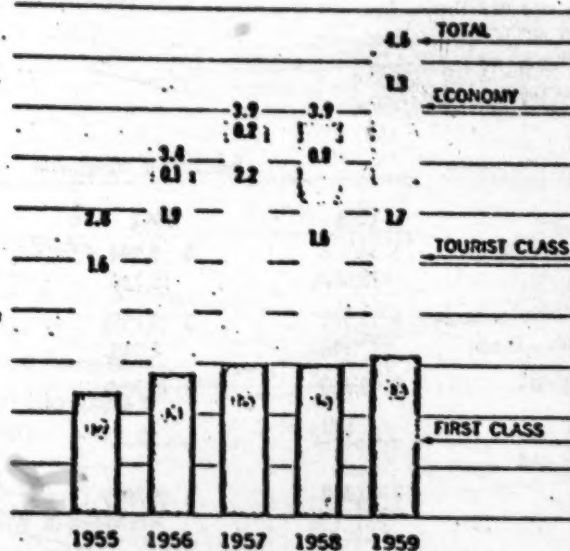
Table IV

	Amounts in Thousands Increase/(Decrease) in 1963 Income
Elimination of airframe and engine overhaul reserves	\$11,268
Establishment of inventory of certain aircraft repair parts—net	1,268
Write-off of deferred aircraft integration costs	(11,536)
Write-off of capitalized interest on prior years' deposits with aircraft manufacturers	(1,268)
Net improvement—before taxes	\$
Provision for deferred income taxes	(1,268)
Net improvement—after taxes (added to Net Income for the year as a special item)	\$

TWA Ex. 128, page 4
(Pan American Annual Report-1959)

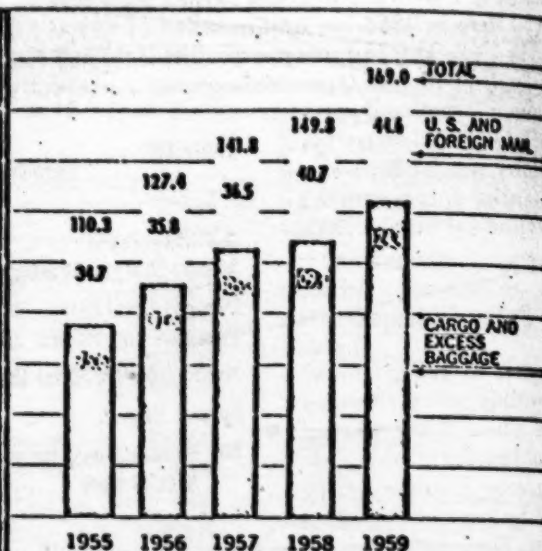
Revenue Passenger-Miles

MILLION MILES



Revenue Ton-Miles of Cargo and Mail

MILLION TON-MILES



Government military traffic without interruption or delay even at a time when its civil operations are grounded because of labor disputes and work stoppages.

Unique, also, is the fact that the agreements carry no expiration dates, continuing indefinitely, unless terminated on two years' notice by the unions concerned.

Incorporated into the unions' regular contracts, these agreements assure the Government that Pan American can carry out airlift assignments in normal times as well as in national emergencies without risk of interruptions such as have occurred in the past in all forms of transportation.

These new contracts between your Company and its operating unions well illustrate the ability of free men in a democratic society to work voluntarily together for the security of all. The privileges and freedom of the individual are retained, but the national security is served without regimentation or dictatorship.

Flight Equipment

Fifteen of the larger long-range Boeing Intercontinental jets were delivered by year end, in addition to six smaller 707's received the previous year. Six long-range Intercontinentals were pur-

chased from Hughes Tool Company during the year at a cost of \$40,000,000. All 23 Intercontinentals will be delivered before June, 1960.

The first three of the 21 Douglas DC-8C Jet Clippers, largest jet airliner in the world, had been delivered by March, 1960. Weighing 25 tons more than the DC-8's, the new DC-8C's are capable of nonstop service between New York and any European city.

For the second winter season, several Pan American 707 jets were operated by National Airlines on its New York-Miami route under the lease agreement described in the previous Annual Report. In April, 1960, the Civil Aeronautics Board announced that it would approve the long-term lease but it would disapprove the stock transactions and allow the companies two years to dispose of shares already exchanged. Your Company has not yet determined its further course of action.

New Facilities

During the year all jet maintenance and overhaul were centered at New York and Miami. At Idlewild the \$20,000,000 maintenance and overhaul base, largest in the industry, was opened in June. Jet engines are overhauled in New York

Notes RELATING TO FINANCIAL STATEMENTS

1. Other paid-in capital was reduced in 1963 by \$3,299,000, a net of the \$7,450,000 charge for the excess of cost over par value of 400,000 shares of capital stock reacquired from National Airlines, Incorporated in exchange for stock of that company and retired, and credits for the excess of consideration over par value of capital stock issued on conversion of \$1,831,000 of subordinated debentures, \$3,642,000, the result of exercise of stock options, \$472,000, and sundry credits, \$37,000.
2. Intercontinental Hotels Corporation (a wholly-owned associated company in which the Company has an investment of \$14,600,000 and a commitment for a further investment of \$900,000) and its subsidiaries had certain assets, consisting principally of investments in and advances to the hotels under their management, amounting to \$25,529,000 at December 31, 1963, and \$2,320,000 of capitalized net costs of the company's development period, which ended December 31, 1953. This group had liabilities of \$14,580,000 and a net worth of \$13,269,000. The consolidated net loss for 1963, after depreciation charges of \$553,000 amounted to \$345,000.
3. The Company, which owns 50% of the stock of Pan American-Grace Airways, Inc., has entered into an agreement with W. R. Grace & Co., owner of the other 50%, to purchase such interest for \$10,625,000 or, at the election of the seller, for 391,300 shares of the Company's capital stock, such purchase being subject to the approval of the Civil Aeronautics Board, the agreement being terminable by either party unless so approved by April 15, 1964. The Board has stated its tentative conclusion that the Company should be ordered to divest itself of its interest in Pan American-Grace Airways, Inc. The Company believes this tentative conclusion is erroneous and plans to litigate the matter fully.
4. Effective January 1, 1963, in order to reflect current conditions including changes in maintenance patterns and procedures, the Company extended the estimated useful life of its jet flight equipment from ten years to twelve years while increasing residual values used in determining depreciation charges for this equipment, resulting in a reduction of depreciation expense for the year of \$8,765,000; at the same time it eliminated the balance of and discontinued the further use of reserves for overhaul of all flight equipment by transfer to reserves for depreciation to offset established built-in overhaul residual values and by credit to maintenance expense, and reduced the residual value of propeller flight equipment, resulting in a reduction of maintenance expense of \$7,832,000 and an increase in depreciation expense of \$6,925,000. These changes resulted in an increase in net income after taxes of \$14,690,000.

5. Deferred charges include costs related to future periods, deferred in accordance with the Company's established practice; amortization is provided during such periods. They include costs of introducing jet aircraft, installation and other preoperating costs of maintenance and building facilities, and costs of financing.

6. The convertible subordinated debentures are convertible into common stock at \$30 per share, bear an interest rate of 4 1/2%, and are due August 1, 1979; the Company is required to provide for the retirement of \$2,800,000 annually from August 1, 1968, with the option to reduce this amount by debentures converted; at December 31, 1963 such conversions amounted to \$3,831,600 and at February 28, 1964, \$14,870,700.

On January 22, 1964, the Company issued \$60,430,500 of subordinated debentures, convertible into common stock at \$58.50 per share, with an interest rate of 4 1/2%, and due January 15, 1984; the Company is required to provide for the retirement of \$3,500,000 annually from January 15, 1974, with the option to reduce this amount by debentures converted.

Notes payable to insurance companies bear an interest rate of 3 1/2% as to \$60,000,000, 4 1/2% as to \$30,000,000 and 6% as to \$50,000,000. Repayment of the first two borrowings commences in 1966, to be made in fourteen annual installments of \$5,850,000 with a fifteenth of \$8,100,000; repayment of the third borrowing commences in 1967, to be made in thirteen annual installments of \$3,500,000 with a fourteenth of \$4,500,000.

The Company is fulfilling the financial conditions prescribed under the respective agreements; at December 31, 1963 retained earnings available for dividends amounted to \$14,000,000.

7. The Company plans to propose to the stockholders at their next annual meeting that the Company Capital stock be split 2-for-1.

8. Under the terms of the ten-year Incentive Stock Option Plans of 1952 and 1961, options for 34,239 shares were exercised and options for 1,660 shares expired in 1963, and \$7,160 shares remained reserved for options authorized. The options were priced at the fair market values of the stock on the dates the options were issued. Shares under option at December 31, 1963 were:

Date option granted	Shares	Price
June 5, 1956	1,875	\$19- 9/16
October 1, 1957	17,315	14- 1/8
December 1, 1959	5,000	23- 1/8
April 5, 1960	3,125	17- 1/4
February 16, 1962	221,911	23-15/16
May 1, 1962	5,375	21- 1/4

Lounge of the Jet-Powered Electra
reflects tasteful decor of entire interior.

AMERICAN AIRLINES EQUIPMENT PROGRAM

American Airlines, known to many as THE JET AIRLINE, was the first to inaugurate jet service across the United States, with the Boeing 707 airplane. American was also the first to put the new Lockheed Electra into east-west service. Our experience with both of these new airplanes has been excellent and the fine service which they provide added to the prestige of the Company and should benefit its opportunity for profit.

Our equipment program is, in our opinion, a sound program. It would be increasingly beneficial to the Company. The airplanes which we have on order have been well chosen for the service they are expected to perform. They come from manufacturers with unexcelled experience in the field. They will do much to improve the service of American.

Our present program will involve continuing deliveries of modern equipment in the years 1959 through 1962. Our total order involves purchase of 110 turbine-powered airplanes, four of which had been delivered at the end of 1958:

- 25 707-123 Boeing Jets, primarily for long-distance operation, deliveries to be completed in 1959;
- 25 707-023 Boeing Jets for intermediate-range service, delivery to begin in the first half of 1960 and to be completed by mid-1961;
- 25 Convair 440 Jets especially designed for American's intermediate and long-range operations, with deliveries to begin in 1961 and to be completed in 1962. This new plane is expected to be the fastest in airline service, with performance of approximately 635 miles per hour;

38 Lockheed Electra Turboprops with deliveries to be completed early in 1960, adapted to our intermediate and shorter routes.

American has gained many unique advantages by its willingness and ability to aid in the designing and pioneering of more modern aircraft. It has been a leader in this field and intends to continue that leadership, and to have the most modern, best-balanced and most productive fleet in the industry.

FINANCING THE JET PROGRAM

Capital requirements for aircraft and supporting equipment in connection with the purchase of our 110 airplanes total approximately \$365 million. In addition, arrangements were made during the year for the lease, rather than the purchase, of the powerplants and propellers for the Electras and of the powerplants for the Convairs and Boeing 707-023s. The net effect of the leases will be to reduce the total amount of capital that otherwise would have been required by approximately \$80 million.

Thus, the total value of the new equipment we will operate comes in round numbers to \$445 million, comprised of \$365 million of direct capital outlays, and \$80 million in lease arrangements. As of December 31, 1958, turbine equipment and related spare parts costing approximately \$20 million had been delivered and paid for. Cash deposits with manufacturers as of December 31, 1958 amounted to about \$59 million, leaving \$286 million to be paid from other sources. Long-term debt financing had been arranged previously with two large insurance companies to cover \$135 million, of which \$85 million remained to be taken down. This leaves about \$200 million to be paid for out of cash

REPORT OF THE PRESIDENT

EARNINGS:

Net earnings for 1961 amounted to \$7,278,000 (\$.85 per share), compared with \$11,783,000 (\$1.40 per share) in 1960. Profit on sale of property and equipment was included to the extent of \$1,234,000 (\$.15 per share) in 1961 and \$1,744,000 (\$.21 per share) in 1960.

REASONS FOR DECLINE IN EARNINGS:

1. The industry's growth in passenger traffic was unusually low; for 1961 as a whole, domestic revenue passenger miles increased only 1% over 1960. A high percentage of total travel is business travel. Business travel during the first three quarters was low because of unfavorable economic conditions. During the fourth quarter of the year, there was a sharp recovery.

2. The Company's share of industry traffic was reduced by a strike of flight engineers in February and by the award to competitors of Texas-California routes, effective June 11. The award of those routes diverted a substantial portion of traffic formerly carried by American west of Texas. Due to continuing improvement of services, American gained in other sections of its system. In the last quarter, we transported 20.5% of the domestic traffic (seasonally adjusted), compared with 20.0% for all of 1961.

3. The benefit of a full year's operation at the higher fares granted in the last half of 1960 was virtually offset by a reduction in average fare per mile, because a higher proportion of total traffic was at air coach rates and a lower proportion at first class rates.

4. Wage rates and prices for purchased materials and services continued to advance at a rate higher than could be absorbed by increased operating efficiencies.

INDUSTRY EARNINGS ARE INSUFFICIENT:

American's earnings continue to be better than the industry average, but they are insufficient for a fair return on investment. The industry had net earnings of \$60 million in 1959, had an approximate break-even in 1960, and in 1961 lost about \$25 million.

In no year since 1955 has the industry earned a fair return on investment.

Although total dollar profits in 1959 equaled the previous peak level 1955, the return for 1959 was lower, because there had been substantial additions to the investment base.

The Civil Aeronautics Board established 10½% return on investment a reasonable rate. To earn that rate of return the industry would require improvement of more than \$300,000,000 per annum in earnings before taxes. To bring this about would necessitate (a) increasing revenues \$300,000,000 while holding costs at a constant level; (b) reducing expenses by \$300,000,000 without reduction in revenue; or (c) some combination of increasing revenues and reducing expenses which would yield an improvement of 15%. It will be a big job and will require the best efforts of management and the regulatory agency to get it done.

COSTS WHICH CONTINUE TO RISE:

Costs have been rising nearly continuously since 1955, for American for the industry. These increased costs have been only partly offset by increases in passenger fares since 1957. For example, costs for American increased 11.2¢ per ton-mile sold between 1955 and 1961. Revenue increased 6.3¢ per ton-mile during the same period. The profit margin for American was one-third that of 1955.

American Airlines has been able to report profits only by keeping its per revenue ton-mile below that of the industry as a whole. Last year American had a lower unit cost per revenue ton-mile than any other trunkline carrier.

Experience proves that increased volume is not enough in itself to improve profit margins. From 1955 to 1961, industry revenue ton-miles increased and dollar volume nearly doubled, but unit production costs continued to rise. Earnings are now so deficient that a repetition of this experience the next several years could place the industry in a dangerous financial position.

There is over-production in the industry and too much duplication, in the air and on the ground. This must be reduced. Some of the reduction can come about by better concerted effort on the part of industry members. Some of it must come about by corporate mergers.

LOW LOAD FACTOR
The airlines are producing too much transportation capacity and selling too little of it. In 1961, 44% of the passenger transportation produced was not sold. This situation has been brought about by:

1. Continuing additions to productive capacity at a rate in excess of market growth. When there are too many airlines on a route, and they must compete aggressively to retain a position in the market, the division of the total traffic among them will not permit profitable load factors.

2. The complexities of substituting large, fast jet airplanes for smaller, slower piston-engined airplanes. Capacity is boosted substantially by these jets unless there is a reduction in the total number of flights. It is exceedingly difficult to reduce flight frequencies, however, if there are too many airlines on the route. Each airline attempts to maintain convenient departures during the day and to match its competitors in frequencies.

These continuing additions to productive capacity, coupled with a low rate of total traffic growth, have brought about low load factors. In 1955, the industry sold 64% of its total passenger transportation production, and 36% went unsold. In 1961, the industry sold only 56% of its passenger transportation production.

American Airlines has regularly operated with load factors higher than the industry average, but our ratio has declined from 68% in 1955 to 61% in 1961.

If there is to be an industry recovery in earnings, an improvement in load factors is essential.

AMERICAN'S ASTROJET FLEET:

American has and will continue to have the fastest and most efficient fleet in the industry.

The fan-type jet power plant is a remarkable new development, able to produce more power with less fuel consumption. This new engine gives our jet airplanes more speed, better landing and take-off performance and substantial fuel economies.

American has now equipped all of its forty-nine Boeing jets with fan-type engines. The new Convair 990, to be in scheduled service in March, is also equipped with these engines. Public response to our better Astrojet service

has been enthusiastic and the relative position of American within the industry has been improved by the high competitive quality of its service. An order has been placed with Boeing for twenty-five 727 smaller jets in order to serve adequately segments where the mileage or traffic density is not suitable for large jets. These twenty-five 727 jets will be delivered in 1964 and 1965.

FINANCING AMERICAN'S EQUIPMENT PROGRAM:

To finance its jet fleet, American borrowed \$65 million (at 5 3/4%) in 1958, making a total of \$290 million borrowed in the past five years. We anticipate no need for additional financing now or soon. Payments for the 20 Convair airplanes to be delivered in 1962-63 and for the 25 Boeing 727 jets to be delivered in 1964-65 will be covered by present cash and future cash flow from depreciation allowances and sale of equipment.

All of the \$290 million is on a long-term basis, with repayments from 1964 to 1968. The Company has no short-term indebtedness other than the usual trade obligations.

THE AMERICAN AIRLINES ORGANIZATION:

The service of American Airlines is provided by people, people who are skilled in their work and proud of their association with air transportation. That they do a good job for us, and for you, is proven by the high level of competitive business which comes to American, and by the relatively high load factors maintained on our services. We are proud of the people of American, proud of their proven ability and worth. They are able to serve you well, and take pleasure in doing so.

DIRECTORS:

During the year, Hon. James H. Douglas, former Secretary of the Air Force and, later, Under Secretary for Defense, and Hon. Elwood R. Quesada, former Air Force Commander and, later, Administrator, Federal Aviation Agency, joined the Board of American Airlines. Both are well experienced in aviation, military and civilian, and their counsel will be of value to the Company.

We report with regret and sorrow the death of James A. Jackson, Director on January 2, 1962. Mr. Jackson served the Company with distinction for more than 10 years. We will miss his friendship and his counsel.

REPORT OF THE PRESIDENT

EARNINGS:

Net earnings for 1962 amounted to \$7,098,000 (\$.88 per share), compared with \$8,555,000 (\$1.00 per share) in 1961. Profit on sale of property and equipment was included to the extent of \$1,721,000 (\$.21 per share) in 1962 and \$1,234,000 (\$.15 per share) in 1961.

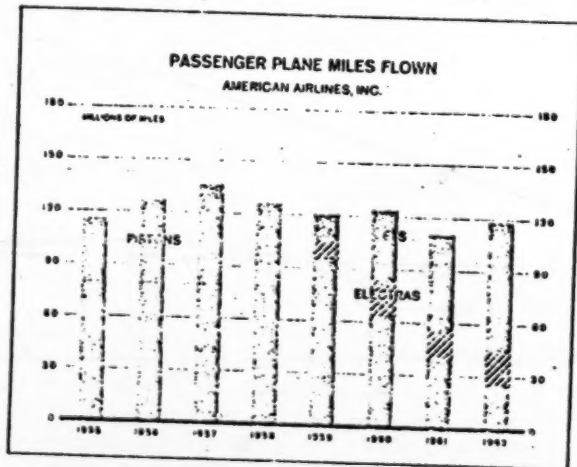
Changes adopted in 1962 in accounting for leased engines and for depreciation on DC-7 aircraft resulted in an increase in net earnings of \$300,000 in 1962 and \$1,277,000 for 1961 over the amount previously reported for the latter year.

REASONS FOR DECLINE IN EARNINGS:

Load factors continued to decline and costs continued to increase. A three percent increase in fares, February 1962, was not sufficient to offset the effect of adverse factors.

The trunkline industry started out the year with too much productive capacity, manufacturing more transportation than could be sold. As the year progressed, additional capacity was added, at a rate in excess of the rate of traffic growth. The result was more marginal flights, lower load factors and reduced profit opportunity.

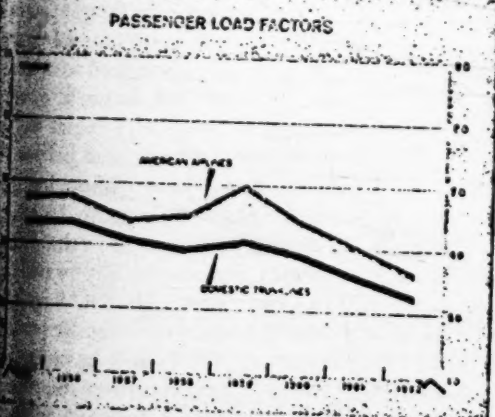
tion in the market. This brings about the addition of marginal flights, flights which do not fully cover costs of operation. Competing carriers match these additional flights, often with flights which also fail to cover fully their costs. The result is that the opportunity for profit, for all of the carriers, continues to be diluted.



There is, in addition, the continuing problem of substituting jet flights for flights formerly operated with piston-engined airplanes. The jet airplanes are usually twice as large and twice as fast, with a net productive capacity of four times the average piston-engined airplane. In the usual case, two jet flights should be substituted for three or four piston-engined flights. But that cannot often be done without impairing the convenience of flight frequency. In the usual case, the substitution of jet flights has added to excessive capacity.

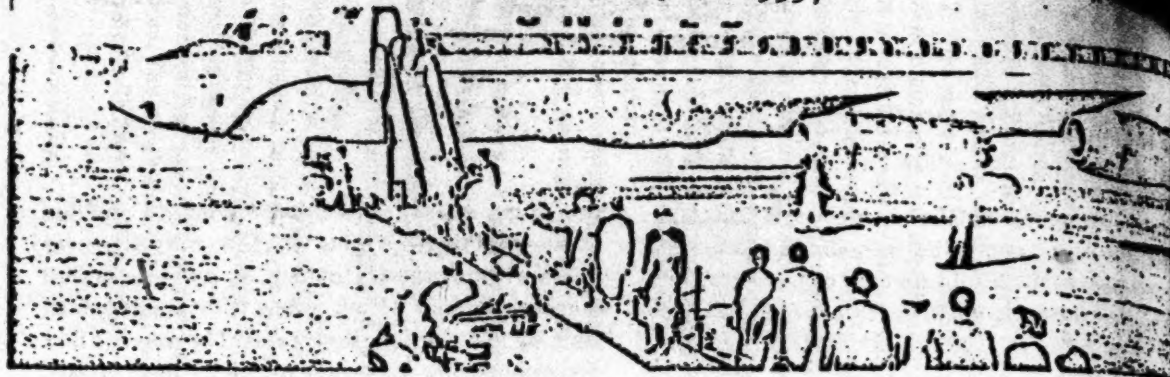
There was continuing discussion during the year, in the industry and in the government, about what can be done to remedy the situation resulting from licensing too many airlines. But little was done to reduce the number.

On American's system, while load factors continued to decline, the elements of cost continued to increase in price. American's earnings, while inadequate, were above the average for its principal competitors. These earnings were available only because those responsible for the operation were diligent in seeking more efficient methods and additional economies.



Government has licensed too many airlines on the routes, more than are needed and can be supported by the existing level of demand. There was no reduction in this competition in 1962.

of the markets where there are too many airlines which tries to maintain or improve its posi-



Travelers enplaning on DC-8 Jet Mainliners discover that air transportation has undergone still another great advance.

Jet age on the main line

THE DC-8 JET MAINLINER

The first DC-8 was delivered to United Air Lines on June 3. This aircraft and several immediately following entered an intensive training program for flight crews and ground services personnel. A type certificate for the DC-8 domestic model with J-57 engines was issued to the Douglas Aircraft Company by the Federal Aviation Agency on August 31—more than a month in advance of the date specified in United's contract.

DC-8 proving runs began September 2 and in the 12 days following United's crews logged almost 40,000 miles. The FAA approved the DC-8 for scheduled operations on September 15.

On September 18, climaxing more than a decade of research and planning, your company inaugurated DC-8 Jet Mainliner service between New York and San Francisco.

Introduction of the DC-8 on major routes proceeded rapidly in the final quarter of the year. The new jetliner was placed in service between New York-Los Angeles, Chicago-San Francisco, Chicago-Los Angeles, San Francisco-Los Angeles and Los Angeles-Chicago-New York. Early in 1960 United inaugurated schedules at Washington/Baltimore and Philadelphia, with Seattle-Tacoma and Honolulu to follow in March. By mid-winter DC-8 flights will be available at 12 of the chief traffic generating cities on the Main Line.

DC-8 Jet Mainliner performance has been impressive by every standard, fully justifying the 1955 decision to accept a temporary competitive disadvantage while waiting for the DC-8. Public response bore out the wisdom of devoting extra effort to improve cabin design and develop new passenger service features. Although flying only 11 per cent of system airplane miles, the liners accounted for 21 per cent of revenue passenger miles January, 1960.

Among the considerations which influenced your choice of the DC-8 Jet Mainliner was its structural ability to receive future engines of greater thrust. The first of the DC-8 jetliners delivered to United were equipped with advanced Pratt & Whitney J-57 engines which produce 13,500 pounds of thrust as compared with 13,000 pounds for standard models.

Twenty-two of United's fleet of 40 DC-8s will have advanced J-57s. These engines provide ample power to maintain maximum passenger loads nonstop on transcontinental routes. DC-8s so equipped cruise at the same speed as other commercial jetliners now in service. However, DC-8s outfitted with the recently developed Pratt & Whitney J-75 engine will cruise 40 miles per hour faster than J-57 powered jetliners.

Fifteen of United's DC-8s will have J-75 engines. The first will be assigned to California-Hawaii routes in March, 1960. Similarly equipped DC-8s will be placed in nonstop coast-to-coast service as the year unfolds, replacing J-57 powered DC-8s which will be transferred to other routes. The DC-8 with J-75s will be the most powerful jetliner in domestic service.

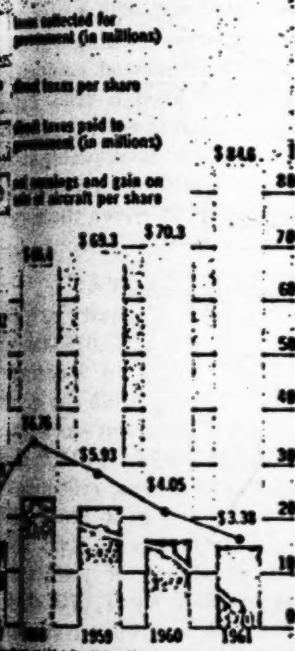
United's three remaining DC-8s will have Pratt & Whitney turbofan engines. The turbofan, a further improvement over the J-57, employs a newly engineered forward compressor which increases speed, range and lift. The turbofan-powered DC-8s to be delivered in mid-1961, will be able to fly nonstop between Chicago and Honolulu. Your company has applied to the Federal Aviation Aeronautics Board for authority to offer such service.

Fifteen DC-8s were delivered to United in 1959. By the end of 1960 your company will have taken delivery of 33 DC-8 Mainliners, with the remaining seven to be received in the first half of 1961.

FACTORS

the passenger load factor 61.1 per cent as compared with 58.1 per cent in 1960. The coach passenger load factor was 62.4 per cent down from 70.8 per cent, and first class load factor was 52.5 per cent down from 59.5 per cent. The overall payload factor was 57.2 per cent compared to 57.2 per cent in 1960. The payload factor for freight was 49.9 per cent in 1961 compared to 54.9 per cent in 1960.

Total of \$84,626,000 in taxes was collected for, Federal, State and local governments in 1961. Taxes consisted of Federal direct taxes, consisting of Federal and state income taxes, social security, unemployment, prop-



erty taxes, amounted to \$84,626,000. This is equivalent to 70¢ per share compared with 70¢ per share. United remitted to the Federal Government \$36,396,000 in income taxes collected from passengers and also paid \$32,949,000 in Federal and state withholding

taxes and social security taxes collected from employees. The President has recommended to Congress that the 10 per cent transportation tax on airline travel be reduced to a 5 per cent so-called "airway user charge." Additional user charges of 5 per cent on air freight, plus 2¢ per gallon on jet fuel would be imposed. Should the recommendation be adopted, half the tax now borne directly by passengers would be replaced chiefly by the user charge on fuel. This would require an increase in fares to offset the added cost to the airlines.

DIVIDENDS

The policy of limited cash payout, supplemented by stock dividends, was continued in 1961 to conserve cash. Quarterly cash dividends totaling 50¢ per share, together with a six per cent stock dividend, were paid during the year. Your company has paid dividends without interruption since 1950.

FINANCE

The Bank Credit Agreement with 34 banks in the amount of \$165,000,000 may be drawn upon until June 30, 1962. As of February 1, 1962, total borrowings were \$156,000,000. The remaining balance will be drawn down prior to June 30, 1962. This loan will be repaid in 23 equal consecutive quarterly installments commencing on January 1, 1963. Working capital at the end of the year was \$23,314,000, up \$2,058,000 over 1960.

ADDITIONS TO PROPERTY AND EQUIPMENT

Payments for property and equipment during the year totaled \$146,411,000. New aircraft and related flight equipment accounted for \$132,054,000, including \$21,905,000 of advance payments, while \$14,357,000 was spent for new and improved ground facilities and equipment.

At year end, commitments for property and equipment totaled

\$232,988,000, the major portion representing contracts for jet aircraft and related flight equipment for delivery through 1965. Projected funds from operations and the remaining funds available under the Bank Credit Agreement appear adequate to cover these commitments.

STOCKHOLDERS

Stockholders' equity at year end was \$183,884,000, a 20 per cent gain due primarily to property acquired in the merger. Common shares outstanding at December 31, 1961, totaled 5,006,178, an increase of 788,972 shares. Also outstanding were 159,000 shares of 5 1/2% cumulative preferred stock, \$100 par value, issued in effecting the merger. The number of stockholders at the close of 1961 was 28,742 compared to 25,862 a year ago.

MERGER

Legal and financial steps merging United and Capital were completed on June 1. Capital's stockholders received 133,849 shares of United's common stock, representing 1.03 shares of United for each seven shares of Capital's common. In addition, five-year warrants to buy 200,775 shares of United's common at \$38.83 per share were issued to Capital stockholders on the basis of 1.545 shares of United for each seven shares of Capital's common.

Holders of Capital's 4 1/2% subordinated convertible debentures received 216,588 shares of United's common, representing 20.6 shares of United for each \$1,000 of debentures held. Holders representing \$1,486,000 of the \$12,000,000 issue did not exchange their debentures.

Vickers-Armstrongs, Limited, the holders of Capital's secured promissory notes, received 159,000 shares of United's 5 1/2% cumulative preferred stock; 61,800 shares of United's common stock; 7 1/2% year warrants to buy 206,000 shares of United at \$43.69 per share; and 15 Viscount turboprop aircraft.

now provide 76 per cent of United's total available seat miles as compared with 68 per cent at the close of 1961.

Revenue passenger miles increased 15 per cent over 1961, freight ton miles 26 per cent, express 15 per cent and mail 7 per cent. If, for comparison, Capital Airlines traffic for the first five months of 1961 is included, the passenger mile increase in 1962 would be 6 per cent instead of 15.

United carried 12,853,000 revenue passengers in 1962 and its fleet operated 8,453,033,000 revenue passenger miles, 130,181,000 freight ton miles, 55,994,000 mail ton miles and 17,299,000 express ton miles.

LOAD FACTORS

Continued expansion of the industry's jet capacity and slow market growth have resulted in generally lower load factors for the industry. In 1962 United's passenger load factor was 53.6 per cent as compared to 58.1 per cent in 1961. The coach passenger load factor was 57.8 per cent, down from 62.4 per cent, and the first class load factor was 47.9 per cent, down from 52.5 per cent. The overall payload factor was 48.8 per cent as compared with 51.3 per cent in 1961. The payload required to break even was reduced to 46.8 per cent in 1962 as compared with 49.9 per cent last year.

TAXES

A total of \$100,448,000 in taxes was paid to, or collected for, Federal, state and local governments in 1962. United's direct taxes, consisting of Federal and state income taxes, social security, unemployment, property and fuel taxes,

amounted to \$22,130,000. This is equivalent to \$4.39 per common share compared with net earnings of \$1.36 per share.

Further, United remitted to the Federal Government \$36,842,000 in transportation taxes collected from customers and also paid \$41,476,000 in Federal and state withholding taxes and social security taxes collected from employees.

On November 16, 1962, the 10 per cent Federal tax on airline travel was reduced to five per cent. The five per cent—estimated to total \$111,000,000 for the airline industry in 1963—serves to reimburse the Federal Government for airline use of the airways which, incidentally, are more heavily utilized by military and private planes.

DIVIDENDS

In 1962 the company continued its policy of limited cash payout, supplemented by stock dividends in order to conserve cash. Quarterly cash dividends totaling 50¢ per common share, together with a six per cent stock dividend, were paid during the year. Your company has paid dividends on its common stock without interruption since 1950. Quarterly dividends totaling \$5.50 per share were paid on the outstanding 51.2¢ Cumulative Preferred Stock.

FINANCE

The Bank Credit Agreement with 34 banks for \$165,000,000 was modified in 1962 to extend the revolving credit expiration date from June 30, 1962, to December 31, 1964. Repayments will be made in 20 equal quarterly installments beginning July 1, 1965. Total borrowings under this agreement as of February 1, 1963, were

\$103,000,000 as compared with \$156,000,000 on February 1, 1962. During the year, cash generated from depreciation, amortization and earnings totaled \$75,800,000 equivalent to \$15.03 per common share.

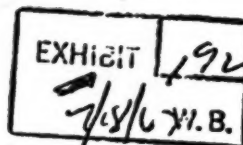
ADDITIONS TO PROPERTY AND EQUIPMENT

Payments for property and equipment in 1962 totaled \$55,585,000. New jetliners and related flight equipment amounted to \$47,800,000, including \$8,836,000 of advance payments, while \$7,741,000 was spent for new and improved ground equipment and facilities.

Commitments for future capital expenditures totaled \$195,670,000 at year end, the major portion representing Boeing 727 jet aircraft and related equipment delivery through 1965. Projected funds from operations and the remaining funds available under Bank Credit Agreement appear adequate to cover these commitments.

STOCKHOLDERS

Stockholders' equity at year end amounted to \$183,015,000, up from \$178,884,000 on December 31, 1961. During 1962 the number of shares of common stock outstanding increased by 319,238 shares to 5,325,416 shares, reflecting the six per cent stock dividend paid December 15, 1962. The number of shares of preferred stock decreased by 4,770 shares to 154,230 shares outstanding December 31, 1962, which reflects the annual redemption requirement for this issue. The number of stockholders at the close of 1962 was 29,118 as compared with 28,742 a year ago.



**SUPPLEMENT TO PROSPECTUS
DATED MAY 25, 1961**

\$100,000,000 principal amount of Debentures, together with attached Warrants to purchase 2,700,000 shares of Common Stock, offered by the Prospectus have been sold. \$19,037,900 principal amount was subscribed for upon exercise of the Rights and the Oversubscription Privilege and \$80,962,100 principal amount was purchased by Hughes Tool Company pursuant to its obligation as described in the Prospectus under Subscription Offer—Agreement with Hughes Tool Company. Hughes Tool Company applied \$80,962,100 of the principal amount of the Company's 6½% interim subordinated note in the total principal amount of \$100,000,000 in payment for the Debentures purchased by it. The Company paid Hughes Tool Company \$19,037,900 in cash in payment of the balance of the principal of said 6½% interim subordinated note (See Purpose of Issue in the Prospectus).

June 20, 1961

TRANS WORLD AIRLINES, INC.

Subscription
W.B.

DISCOUNT AND
Commissions

Company(1)(2)

PROSPECTUS

Trans World Airlines, Inc.

\$111,235,900 6½% Subordinated Income Debentures Due June 1, 1978

with

Warrants to Purchase 3,003,369 Shares of Common Stock

Trans World Airlines, Inc., hereby offers to its stockholders \$111,235,900 principal amount of Debentures for subscription, at the Subscription Price, on the basis of \$100 principal amount of Debentures for each 6 shares of Common Stock held of record at the close of business on May 25, 1961. Certificates evidencing Rights include an Oversubscription Privilege at the same price, subject to allotment. The offer will expire at 3:30 P.M., E.D.S.T., on June 1, 1961. (See SUBSCRIPTION OFFER herein).

The Debentures are subordinate to all Senior Indebtedness to the extent set forth herein. Interest is cumulative but, until maturity, is payable only to the extent of Available Income. (See DESCRIPTION OF DEBENTURES herein). The Warrants entitle the holders thereof to purchase 2.7 shares of Common Stock for each \$100 principal amount of Debentures to and including June 1, 1965 at a price of \$20.00 per share, and thereafter to and including December 1, 1973 at \$22.00 per share, in each case subject to adjustment, payable in cash or by surrender of Debentures at their principal amount. The Warrants are not exercisable or detachable prior to November 1, 1961, and expire on December 1, 1973. (See DESCRIPTION OF WARRANTS herein).

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Subscription Price	Underwriting Discounts and Commissions	Proceeds to Company(1)(2)
Per Unit	\$100	None	\$100
Total	\$111,235,900	None	\$111,235,900

(1) Assuming that all Debentures are sold. Under an agreement between the Company and Hughes Tool Company, the beneficial owner of Voting Trust Certificates issued with respect to 5,221,301 shares (approximately 78.2% of the Company's outstanding Common Stock, Hughes Tool Company may purchase, at the Subscription Price, all or any part of the Debentures not subscribed pursuant to the Subscription Offer, and has agreed that it will purchase such number of Debentures as will, with Debentures purchased by it and others pursuant to the Subscription Offer, equal at least \$100,000,000 principal amount. Hughes Tool Company may apply the Company's 6½% interim subordinated note in the principal amount of \$100,000,000 held by Hughes Tool Company to purchase price of Debentures purchased by it. See PURPOSE OF ISSUE AND RELATIONS WITH HUGHES TOOL COMPANY herein.

(2) Before deduction of expenses payable by the Company estimated at \$500,000.

The Date of this Prospectus is May 25, 1961.

No person is authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offer contained in this Prospectus. This Prospectus does not constitute an offering in any jurisdiction in which such offering may not lawfully be made.

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THE COMPANY

Trans World Airlines, Inc. (herein sometimes called the Company or TWA) was incorporated as Transcontinental & Western Air, Inc. under the laws of the State of Delaware on December 27, 1934 by the consolidation of two Delaware corporations engaged in air transportation, one of which had instituted the first all-air coast-to-coast passenger service in 1930. The name of the Company was changed to Trans World Airlines, Inc. on May 17, 1950.

The Company has been engaged in the transportation of persons, property and mail by air since its organization. During that time the Company has operated a transcontinental system in the United States and since 1946 it has operated an international system between the United States and points in Europe, Africa and Asia.

SUBSCRIPTION OFFER

Offering to Stockholders.

The Company hereby offers to the holders of its Common Stock, par value \$5 per share, of record at the close of business on May 25, 1961 the following:

(1) *The Rights:* The right to subscribe for \$111,235,900 principal amount of Debentures with Warrants to purchase a total of 3,003,369 shares of its Common Stock, at the Subscription Price set forth on the cover page of this Prospectus, on the basis of \$100 principal amount of Debentures for each 6 shares of Common Stock then held of record, and

(2) *The Oversubscription Privilege:* The privilege, on the part of the holders of shares of Common Stock (other than the 5,221,301 shares referred to in the next succeeding paragraph with respect to which Voting Trust Certificates have been issued), of subscription, at the Subscription Price, subject to allotment as hereinafter set forth, for any of the unsubscribed Debentures not subscribed for upon exercise of Rights by such holders (up to the \$24,214,200 principal amount in the aggregate available for subscription by such holders).

The Rights and the accompanying Oversubscription Privilege will be evidenced by Subscription Certificates in registered form transferable at the office of the Agent, Irving Trust Company, One Wall Street, New York 15, N. Y.

Agreement with Hughes Tool Company

Under an agreement between the Company and Hughes Tool Company, the beneficial owner of Voting Trust Certificates issued with respect to 5,221,301 shares (approximately 78.23%) of the Company's outstanding Common Stock, Hughes Tool Company may purchase, at the Subscription Price, all or any part of the unsubscribed Debentures not subscribed pursuant to the Subscription Offer, and has agreed that it will purchase, not later than 3 business days after the Expiration Date, such number of Debentures as will, with Debentures purchased by it and others pursuant to the Subscription Offer, equal at least \$100,000,000 principal amount. Hughes Tool Company may apply the Company's 6½% interim subordinated note in the principal amount of \$100,000,000 held by Hughes Tool Company to the purchase price of Debentures purchased by it. See PURPOSE OF ISSUE AND RELATIONS WITH HUGHES TOOL COMPANY herein.

New Developments

On May 11, 1961 the Company was requested to postpone the offering covered by this Prospectus in order to enable Hughes Tool Company to make arrangements for an underwriting of its obligation and its right to purchase Debentures with attached Warrants for the purpose of making a public distribution of its Rights or the Debentures and Warrants. The Company did not agree to such a postponement. The Company does not know what plans Hughes Tool Company may have to distribute its Rights or the Debentures and Warrants but it is possible that certain selling arrangements will be entered into. See also RELATIONS WITH HUGHES TOOL COMPANY—Positions Recently Stated By Hughes Tool Company herein.

Expiration Date

The Subscription Certificates will expire at 3:30 P.M., Eastern Daylight Saving Time, on the Expiration Date set forth on the cover page of this Prospectus.

Method of Subscription

One Right will be issued for each share of outstanding Common Stock and 6 Rights will be required to subscribe for \$100 principal amount of Debentures with an attached Warrant to purchase 2.7 shares of Common Stock. Subscriptions must be for \$100 principal amount of Debentures or multiples thereof. Subscription may be made by delivering (by mail or otherwise) the Subscription Certificate, properly filled in and signed, to the Agent, Irving Trust Company, One Wall Street, New York 15, N. Y., accompanied by payment in full for the Debentures subscribed for, prior to 3:30 P.M., Eastern Daylight Saving Time, on the Expiration Date. However, subscriptions will be accepted (subject to actual receipt of duly executed Subscription Certificates) if, prior to the Expiration Date, the Agent receives the Subscription Price in full together with a written or telegraphic guarantee from a bank, trust company, or member firm of the New York Stock Exchange that the requisite Subscription Certificates, duly executed, with certificate numbers thereof specified, have been or will promptly be forwarded to the Agent.

The Oversubscription Privilege may be exercised only if the Rights represented by the Subscription Certificates are exercised for the full number of Debentures covered thereby and only if accompanied by payment in full for the Debentures subscribed for pursuant to the Oversubscription Privilege. After 3:30 P.M., Eastern Daylight Saving Time, on the Expiration Date any Debentures available for the Oversubscription Privilege will be allotted pro rata to the holders of Subscription Certificates who also exercise the Oversubscription Privilege. Subject to the requirement that subscriptions shall be for \$100 principal amount of Debentures or multiples thereof, such pro rata allotment will be based upon the ratio which the number of Rights exercised by each person exercising the Oversubscription Privilege bears to the total number of Rights exercised by all persons exercising the Oversubscription Privilege. If, after such allotment, unsubscribed Debentures remain, such Debentures will, successively in the manner above described, be allotted among those holders whose subscriptions have not been filled in full. The Agent will allocate each person as to the principal amount of Debentures to which he is entitled pursuant to the exercise of the Oversubscription Privilege and the Agent will refund payments in excess of the amount required for full payment for such Debentures.

Purchase and Sale of Rights

The Rights may be bought or sold through banks or brokers. The Company has been advised by the New York Stock Exchange that the Exchange has not yet acted to admit the

Rights to trading on the Exchange since the Company does not know what plans Hughes Tool Company may have to distribute its Rights or the Debentures and Warrants.

For the convenience of holders of Subscription Certificates, the Company has made arrangements whereby the Agent, as agent for such holders, will sell all surplus Rights up to 5 or will buy sufficient Rights (not more than 5) to permit subscription for \$100 principal amount of Debentures or multiples thereof. These services will be rendered by the Agent without charge to such holders, other than for the cost of any Rights purchased.

The Agent may match buying and selling orders, and its execution of orders is subject to its ability to do so, or to find other sellers or buyers. Charges and credits upon purchases and sales of Rights, including matched orders, on each day Rights are bought and sold, will be at the average price paid or received by the Agent in the open market for Rights on such day. Holders of Subscription Certificates will receive a bill for the cost of Rights purchased (to be paid before the Debentures are delivered) or a check for the net proceeds of Rights sold.

Foreign Stockholders

Subscription Certificates will not be mailed to stockholders with registered addresses at military post offices or outside the continental United States and Canada but will be held by the Agent for the account of such holders until 12 o'clock noon, Eastern Daylight Saving Time, on the last business day preceding the Expiration Date, at which time (if no instructions for the disposition thereof have been received) the Agent will endeavor to sell the Subscription Rights and hold for or remit to such holders their pro rata share of any net proceeds.

Listing and Trading

The Company has applied for listing of the Debentures on the New York Stock Exchange and for listing of the Warrants on the American Stock Exchange. The National Association of Securities Dealers, Inc. advises that any market price quoted with respect to Warrants after the initial public offering of the Debentures with Warrants attached will represent the market price of the right to purchase one share of Common Stock at the then operative warrant exercise price even though a Warrant may represent the right to purchase more than one share.

PURPOSE OF ISSUE

As more fully set forth in RELATIONS WITH HUGHES TOOL COMPANY, the Company paid in part for the cost of the acquisition of jet aircraft by the issuance to Hughes Tool Company of a 6½% interim subordinated note in the principal amount of \$100,000,000. As part of the same transaction and in connection with the issuance of the Company's Equipment Mortgage Note, the Company agreed to make this offering to stockholders and to use the proceeds thereof, to the extent required, to pay such interim subordinated note at 100% of the principal amount thereof (to the extent such note is not applied directly by Hughes Tool Company to purchase Debentures pursuant to its obligation referred to above). Accordingly, the proceeds from the sale of the Debentures will be applied to the payment of such interim subordinated note and the Company will pay the expenses of this offering. Any balance of proceeds resulting from the sale of the Debentures, after payment of such expenses, will be used by TWA for general corporate purposes. See Introduction of Jet Aircraft below.

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PROSPECTUS

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3,337,036 Shares

Trans World Airlines, Inc.

Common Stock
(par value \$5 per share)

TWA is offering to the holders of its Common Stock the right to subscribe for 3,337,036 shares of its Common Stock at the rate of one additional share for each share held of record at the close of business on June 17, 1957. The subscription offer will expire at 3:30 P. M., Eastern Daylight Saving Time, on July 8, 1957.

	Subscription Price	Underwriting Discounts or Commissions	Proceeds to TWA*
Per Unit	\$13	**	\$13**
Total	\$43,381,468	**	\$43,381,468**

*Assuming that all shares are sold. Under an agreement between TWA and Hughes Tool Company (hereinafter sometimes called Hughes), the holder of 2,476,142 shares of TWA's Common Stock, Hughes may buy, at the subscription price above stated, all or any part of the shares of Common Stock not subscribed for under the subscription offer herein described, and has agreed that if it purchases less than all unsubscribed shares it will purchase such number thereof as will, with shares acquired by it on the exercise of Warrants, provide TWA with aggregate net proceeds of at least \$14,000,000 from the shares acquired by Hughes. See RELATIONS WITH HUGHES TOOL COMPANY.

**TWA will pay fees of 25¢ per share to members of the National Association of Securities Dealers, Inc., who obtain subscriptions from original holders of Warrants other than Hughes Tool Company. Assuming full subscription by such original holders and payment of fees on all such subscriptions, the proceeds to TWA shown above would be reduced by a maximum of \$215,223.50. See SOLICITING DEALERS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is June 17, 1957.

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No person has been authorized to give any information or to make any representation other than those contained in this prospectus, in connection with the offer contained in this prospectus. This prospectus does not constitute an offering in any jurisdiction in which such offering may not lawfully be made.

Neither the delivery of this prospectus nor any sale made through its use shall imply that there has been no change in the affairs of TWA since the date hereof.

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DURING THE SUBSCRIPTION PERIOD, HUGHES TOOL COMPANY MAY, UNDER CERTAIN CONDITIONS, MAKE BIDS FOR OR PURCHASES OF WARRANTS. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK, MID-WEST OR PACIFIC COAST STOCK EXCHANGES. AS A RESULT, THE MARKET PRICE OF THE WARRANTS AND OF THE COMMON STOCK MAY BE MAINTAINED AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE COMPANY

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Trans World Airlines, Inc. (herein sometimes called TWA) was incorporated as Transcontinental & Western Air, Inc. under the laws of the State of Delaware on December 27, 1934 by the consolidation of two Delaware corporations which had previously been engaged in air transportation. Its name was changed to Trans World Airlines, Inc. on May 17, 1950. TWA's principal business office is at 380 Madison Avenue, New York 17, New York.

TWA has been engaged in the transportation of persons, property and mail by air since its organization. During that time it has operated a transcontinental system in the United States, and since 1946 it has operated an international system between the United States and points in Europe, Africa and Asia.

SUBSCRIPTION OFFER

Basis of Offering.

TWA hereby offers to the holders of its Common Stock of record at the close of business on June 17, 1957, Rights to subscribe for 3,337,036 shares of its Common Stock at the subscription price set forth on the cover page of this prospectus at the rate of one share of such Common Stock for each share held. See SOLICITING DEALERS for fees payable by TWA on certain subscriptions.

Agreement with Hughes Tool Company.

Under an agreement between TWA and Hughes Tool Company, the holder of 2,476,142 shares of TWA's Common Stock, Hughes may buy, at the subscription price, all or any part of the shares of Common Stock not subscribed for under the subscription offer, and has agreed that if it purchases less than all unsubscribed shares it will purchase such number thereof as will, with the shares acquired by it on the exercise of Warrants, provide TWA with aggregate net proceeds of at least \$34,000,000 from the shares acquired by Hughes. For additional information regarding said agreement see RELATIONS WITH HUGHES TOOL COMPANY.

Warrants.

Rights to subscribe will be evidenced by transferable Warrants. One Right will be issued for each share of Common Stock and one Right is required to subscribe for each share of Common Stock. The Warrants may be divided or combined.

Expiration Date.

Rights to subscribe will expire at 3:30 P. M., Eastern Daylight Saving Time, on the Expiration Date set forth on the cover page of this prospectus, and the Warrants will thereafter be void.

Subscription Agent.

The Company has appointed The New York Trust Company, 100 Broadway, New York 15, New York, as Agent in connection with the subscription offer.

CAPITALIZATION

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The capitalization of TWA as of May 1, 1957, and as adjusted to give effect to this financing is as follows:

	<u>Authorized</u>	<u>Outstanding</u>	<u>Adjusted for this financing</u>
3½% Equipment Mortgage Sinking Fund Bonds due December 1, 1969.....	\$40,000,000	\$40,000,000	\$40,000,000
7½% notes (secured) maturing monthly from May 31, 1957 to June 30, 1957.....	55,841	55,841	55,841
7½% demand notes.....	10,000,000(1)	2,500,000	2,500,000
Common Stock, par value \$5 per share.....	10,000,000 shs. (2)	3,337,036 shs.	6,674,072 shs. (3)

(1) For terms of this credit see RELATIONS WITH HUGHES TOOL COMPANY.

(2) Of which 166 shares are reserved for issuance upon the exercise of an option outstanding under The TWA Employee Stock Purchase Plan.

(3) Assuming all shares offered hereby are sold.

On the same date, TWA had outstanding other long term debt aggregating approximately \$38,000,000 secured by conditional sale contracts as described under RELATIONS WITH HUGHES TOOL COMPANY. For present plans with respect to payment of this debt by the use of the proceeds of the shares and of \$5,000,000 of bank credit, see PURPOSE OF ISSUANCE. For information concerning the extent of obligations with respect to real property see Notes 12 and 14 to the financial statements.

PRICE RANGE OF COMMON STOCK

The following table shows the high and low sale prices, as reported by The Commercial and Financial Chronicle, of TWA's Common Stock on the New York Stock Exchange from March 31, 1956 through June 14, 1957:

<u>Period</u>	<u>High</u>	<u>Low</u>
Quarter ended June 30, 1956.....	\$26¼	\$20¼
Quarter ended September 30, 1956.....	23¼	18¼
Quarter ended December 31, 1956.....	21¼	16¼
Quarter ended March 31, 1957.....	20¼	15¼
Period from April 1, 1957 through June 14, 1957.....	16¼	13¼

The closing price on June 14, 1957 was \$14.

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piston-engine aircraft (although they will have greater speed and capacity) and their use will require substantial investments in ground equipment and will pose major problems relating to operations, traffic control, maintenance and airport availability.

TWA has placed no orders for jet aircraft, but its management believes that it will be necessary for TWA to operate such aircraft if it is to maintain its competitive position and that the cost of the required aircraft, spare parts and engines will exceed \$320,000,000. Accordingly, TWA is making plans for the operation of Boeing 707 and Convair 880 jets.

Hughes has placed orders, under contracts assignable to TWA, for 15 Boeing 707-131 aircraft, 18 Boeing 707-331 aircraft, and 30 Convair 880 aircraft, for delivery beginning in 1959. These contracts are subject to modification as to number and model of aircraft covered and as to specifications of the aircraft, including seating capacity. Hughes is not committed to sell any of these aircraft to TWA, nor is TWA committed to buy any of them from Hughes. Any such transaction between TWA and Hughes requires approval of the Civil Aeronautics Board.

One of TWA's competitors is operating turbo-prop aircraft and others have ordered such aircraft. TWA has not ordered such aircraft, but is considering these and other types of new aircraft for future use.

PROPERTY

As of June 1, 1957, TWA was operating a fleet of 175 aircraft, of which 149 were assigned to its domestic system and 26 to its international system. All aircraft in use are maintained in airworthy condition in accordance with procedures approved by the Civil Aeronautics Administration. The aircraft above referred to are as follows:

above referred to are as follows:

Type	Number	Approximate Age in Years	Standard Available Seats*	
			Domestic	International
FOUR ENGINE:				
Lockheed 1649A	10	0	64C	75T
Lockheed Constellation 1049G	28	1- 2	60C-68C	49C
Lockheed Constellation 1049	9	5	64F	
Lockheed Constellation 749A	27	6- 7	55F	61T
Lockheed Constellation 749	12	9	55F	
Lockheed Constellation 049	32	11-12	80T	
Douglas C-54	9	12-13	**	
TWO ENGINE:				
Martin 404	37	5	40F	
Martin 202A	11	7	36F	

* The seating configuration of an aircraft depends on its use in first class, tourist or combination first class and tourist services, upon the extent to which sleeper seats and berths are installed, and upon whether the aircraft is used in domestic or international service. The seating configuration is frequently changed to meet the requirements of the available traffic. The data given above reflect the approximate configurations at June 1, 1957. In the above table, "F" means first class, "T" means tourist and "C" means combined first class and tourist.

** All but one (standard available seats—70T) used in cargo service.

All these aircraft are mortgaged to secure funded debt except the ten Lockheed 1649As and eight of the Lockheed Constellation 1049Gs which are subject to conditional sale contracts. Fifteen additional Lockheed 1649As are deliverable over the next few months under one of such conditional sale contracts. For information as to the estimated service lives of aircraft, see Note 3 to the financial statements.

TWA also owns a Fairchild C-82 aircraft used as an engine carrier.

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The Indenture of Chattel Mortgage dated as of May 15, 1957, securing the bank and institutional loans referred to under PURPOSE OF ISSUE and LONG TERM DEBT, contains restrictions substantially identical to those summarized above.

LONG TERM DEBT

Bonds

At May 1, 1957, \$40,000,000 of 3½% Equipment Mortgage Sinking Fund Bonds due December 1, 1969, were outstanding. Semi-annual sinking fund payments, sufficient to retire \$1,500,000 principal amount of the bonds, are payable June 1 and December 1 in each year from June 1, 1957, through June 1, 1969. Contingent sinking fund payments are payable each June 1st from 1957 through 1969 in an amount equal to one-half of the consolidated net income for the preceding calendar year in excess of \$3,000,000, but no such contingent sinking fund payment shall exceed \$2,000,000.

Bank and Institutional Loans

By a loan agreement dated as of May 15, 1957, a group of banks have agreed to lend TWA an aggregate of \$35,000,000 to be secured by the 1049G and 1649A aircraft and related engines being purchased from Hughes. \$10,000,000 of these loans, with interest at the rate of 5% per annum, will be payable December 1, 1957, and the remaining \$25,000,000, with interest at the rate of 5¼% per annum, will be payable in 36 equal monthly instalments beginning January 1, 1958. TWA will pay a commitment fee at the rate of ¾ of 1% per annum on the unused portion of the \$25,000,000 credit during the period from August 1, 1957 to December 1, 1957.

The Indenture of Chattel Mortgage dated as of May 15, 1957, securing such bank loans, provides for the securing, equally and ratably with the bank loans, of up to \$25,000,000 of additional institutional loans. TWA has initiated discussions regarding such loans, but the amount and terms thereof cannot presently be forecast.

For a description of conditional sale contracts covering the 1049G and 1649A aircraft, and related spare parts and engines being purchased from Hughes, see RELATIONS WITH HUGHES TOOL COMPANY.

DIRECTORS AND EXECUTIVE OFFICERS

<u>Name</u>	<u>Office</u>	<u>Name</u>	<u>Office</u>
Fred W. Ayers.....	Director	A. V. Leslie.....	Director, Senior Vice President—Finance and Treasurer
Palmer Bradley*.....	Director	Sidney Maestre.....	Director
Carter L. Burgess*.....	Director, President	M. E. Montrose.....	Director
George H. Clay.....	Director, Vice President—Administrative Services	Warren Lee Pierson*.....	Director, Chairman of the Board of Directors
R. O. Cocke.....	Director, Senior Vice President—Sales	C. H. Price.....	Director
John A. Collings*.....	Director	Harry E. Rogers*.....	Director
Noah Dietrich*.....	Director	Ben-Fleming Sessel.....	Director
Arthur Eisenhower.....	Director	A. D. Simpson.....	Director
Oscar Holcombe.....	Director	T. A. Slack.....	Director
		Loyd Wright.....	Director

TWA 223

Pan American Airways Corporation

Supplement to Prospectus dated July 3, 1945

20,432,61 Units offered for subscription by holders of transferable Subscription Warrants among stockholders as stated in this Prospectus, 1,932,619 Units were subscribed for by holders prior to the expiration on July 23, 1945 of such Warrants, leaving a total of 110,642 Units to be purchased from the Corporation by the several Underwriters at \$21.50 per Unit pursuant to the Underwriting Agreement referred to in this Prospectus under the heading "Underwriting". Such Units subscribed for are to be so purchased by the several Underwriters on July 26, 1945 (the

The Corporation is advised that the representatives of the Underwriters have determined not to make a general public offering on behalf of the several Underwriters of the Units (or shares of stock or Warrants comprised therein) to be purchased from the Corporation by the several Underwriters; that the 110,642 shares of capital stock and Stock Purchase Warrants for a corresponding number of shares comprised within said Units are to be delivered to the respective Underwriters purchasing the same from the Corporation; and that, accordingly, the several Underwriters may sell their respective shares of stock and Stock Purchase Warrants at such times and at such price or prices as they, respectively, may determine. To the extent that any Underwriter sells Units purchased by it (i. e., one share of stock and a Stock Purchase Warrant for one share) at a price in excess of \$21.50, such Underwriter will realize a profit which will be in addition to its share of the underwriting discounts and commissions (aggregating \$1,532,445.75) referred to in this Prospectus. On July 23, 1945, the reported closing sale price of capital stock of the Corporation on the New York Stock Exchange was \$17.25 per share and the reported closing sale price of Stock Purchase Warrants on the New York Curb Exchange was \$5.375 per warrant for one share, or a total of \$22.625 per Unit. If the shares of stock and Stock Purchase Warrants comprised within the 110,642 Units to be purchased by the several Underwriters were sold at the above-mentioned closing prices, the Underwriters would receive additional income of \$1.125 per Unit or a total of \$124,472.25.

July 26, 1945.

PROSPECTUS INFORMATION AND TO BE MADE A PART
OF PAGES 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000

Pan American Airways Corporation

RECEIVED BY STATISTICAL FILES JUL 20 1945
Capital Stock, par value \$2.50 per share and
Subscription Warrants and Stock Purchase Warrants Relating Thereto
HARRIMAN RIPLEY & CO.
INCORPORATED

RETURN TO
HRCB - LIBRARY
63 WALL ST.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY
THE SECURITIES AND EXCHANGE COMMISSION.

Pan American Airways Corporation has registered the securities by filing certain information with the
Securities and Exchange Commission. The Commission has not passed on the merits of any securities registered with it.

IT IS A CRIMINAL OFFENSE TO REPRESENT THAT THE COMMISSION HAS APPROVED THESE
SECURITIES OR HAS MADE ANY FINDINGS THAT THE STATEMENTS IN THIS
PROSPECTUS OR IN THE REGISTRATION STATEMENT ARE CORRECT.

2,043,261 shares of Capital Stock of the Corporation, par value \$2.50 per share, are being originally offered to stock-
holders of the Corporation, through the distribution of transferable Subscription Warrants of the Corporation to stockholders
of record at the close of business on July 2, 1945. The Subscription Warrants entitle the holders to subscribe during the
Subscription Period, commencing at 3 P. M., Eastern War Time, on July 23, 1945, when unexercised Subscription Warrants will
expire and become void, at the offering price of \$21.50 per Unit, for a total of 2,043,261 Units, each Unit consisting of one
share of Capital Stock of the Corporation, par value \$2.50 per share, and of the right, evidenced by a transferable Stock
Purchase Warrant, to purchase, for \$18 per share, one additional share of Capital Stock of the Corporation, at or before 3 P. M.,
New York Time, on December 30, 1947, when unexercised Stock Purchase Warrants will expire and become void. Such
Subscription Warrants are being distributed to such stockholders of record at the rate of one-half Unit for each share of
Capital Stock of the Corporation held of record at such record time. 2,043,261 shares of Capital Stock of the Corporation
(included in the 4,086,522 offered to stockholders), are issuable upon the exercise of Stock Purchase Warrants included in the
Units referred to above.

No fractional shares of stock or fractional Stock Purchase Warrants will be issued, but Subscription Warrants
for fractional Units are being issued as required, which, when appropriately combined, entitle the holders to subscribe
for whole Units during the subscription period ending July 23, 1945.

Subject to the terms and conditions of the Underwriting Agreement, a summary of certain provisions of which appears
herein under the heading "Underwriting", the several Underwriters named under said heading have agreed to purchase from the
Corporation, at \$21.50 per Unit, such of the 2,043,261 Units as are not subscribed for by holders of Subscription Warrants,
and, in connection to the several Underwriters for such commitments, the Corporation has agreed to pay them 7 1/2% per
Unit in respect of each of such 2,043,261 Units (whether or not subscribed for upon the exercise of Subscription Warrants),
or a total of \$1,532,445.75.

	Total	Per Unit
Net cash proceeds to the Corporation	\$42,307,665.75	\$20.75
Underwriting discounts and commissions*	1,532,445.75	.75
Price to holders of Subscription Warrants	41,830,111.50	\$1.50

* Not including the value of the option (the cash value of which cannot be computed), more fully described herein
under the heading "Cancellation of Prior Underwriting Agreement", exercised by Atlas Corporation on June 30, 1945, under
which the Corporation issued and sold to Atlas Corporation 100,000 shares of Capital Stock of the Corporation at the option
price of \$16 per share, or a total of \$1,600,000. On June 30, 1945 the reported closing sale price of the stock on the New York
Stock Exchange was \$26 per share. Subscription Warrants for 50,000 Units are being distributed to Atlas Corporation, as
the holder of said 100,000 shares.

In respect of sales by the Underwriters of shares of Capital Stock and/or Stock Purchase Warrants comprised within
Units, or of the Units, purchased by the Underwriters from the Corporation, the Underwriters may realize profits or losses,
independent of the commissions stated above, such profits or losses being dependent upon the price or prices at which any
such securities shall be actually sold by the several Underwriters. Prior to the issue of this Prospectus, trading in Capital
Stock of the Corporation "in-Subscription Warrants", or in Subscription Warrants, Stock Purchase Warrants or Units, has
not been permitted, and there are not, therefore, any market quotations applicable thereto. The reported high and low sales
prices of the Corporation's stock on the New York Stock Exchange during the month of June, 1945, were \$28.50 and \$20.50,
respectively, and approximately 271,000 shares of such stock were traded on such Exchange. On June 30, 1945 the
reported closing sale price of such stock on the New York Stock Exchange was \$26 per share. The values included in such
prices attributable to the Subscription Warrants to be issued to stockholders cannot be stated (the holder of each share
receiving the right to subscribe for 1/2 Unit at \$21.50 per Unit). Upon sales by Underwriters of Units (or shares of stock and
Warrants comprised therein), if made at a price in excess of \$21.50 per Unit, the profit thereon, in addition to the above-
mentioned underwriting commissions, would be the amount of such excess multiplied by the number of Units which the
Underwriters may be required to purchase. The foregoing recital of prices is not to be construed as a representation as to
the future value or market price of stock of the Corporation. The net cash proceeds to the Corporation set forth above is
before deducting cash expenses of the Corporation in connection with the offering (in addition to underwriting commissions),
estimated at approximately \$340,000. Reference is made to the indemnification agreements between the Corporation and the
Underwriters summarized herein under the heading "Underwriting".

The foregoing tabulation does not reflect the proceeds which may be realized by the Corporation from the exercise
of the Stock Purchase Warrants, all of which are exercisable at the price of \$18 per share. Based on the assumption that all
the Stock Purchase Warrants are exercised, the Corporation would receive an aggregate of \$36,778,698, making the total
proceeds which would be received by the Corporation from the sale of the securities covered by the Registration Statement
\$38,708,898.50, before deduction of underwriting discounts and commissions, or \$79,176,363.75 after making such deduction.
However, the extent to which the Stock Purchase Warrants will be exercised cannot be predicted.

The Underwriters had not determined at the date hereof whether they would make one or more public or other
offerings of the Units or of the shares of Capital Stock and/or Stock Purchase Warrants comprised in the Units, either
prior or subsequent to the expiration of the Subscription Warrants. The price or prices and terms and conditions of any such
offering or offerings will be determined as described herein under the heading "Underwriting" and will be set forth in an
amendment to the Registration Statement. The Corporation has agreed to file such amendments or supplements as may
be appropriate.

A complete list of the principal Underwriters is set forth herein under the heading "Underwriting". Among such
principal Underwriters are:

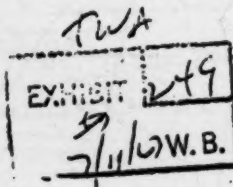
KUHN, LOEB & CO.

BLYTH & CO., INC.

LAZARD FRÈRES & CO.

LADENBURG, THALMANN & CO.

The date of issue of this Prospectus is July 1, 1945.



AMERICAN AIRLINES, INC.

Supplement to Prospectus Dated June 11, 1946

The Prospectus, dated June 11, 1946, of American Airlines, Inc. is amended and supplemented by adding thereto the following:

The Company has been advised by the Representatives of the several Underwriters referred to under the heading "Underwriting" in the Prospectus that the public offering price with respect to the 3% Sinking Fund Debentures, due June 1, 1966, has been changed, effective June 24, 1946, from 100% of the principal amount thereof plus accrued interest from June 1, 1946 to 96.35% of the principal amount thereof plus accrued interest from June 1, 1946; that such Representatives have been authorized by the Underwriters of the Debentures to extend the Agreement among Underwriters with respect to the Debentures for such period not to exceed twenty days from June 25, 1946 as the Representatives may determine; and that the Representatives have been authorized by such Underwriters to offer, sell and deliver for the account of such Underwriters all or any part of their unsold Debentures at such changed offering price to such person or persons as the Representatives shall select. The Company has been advised by such Representatives that as of the close of business on June 21, 1946 approximately \$23,300,000 principal amount of Debentures remained unsold.

Dated, June 24, 1946.

American Airlines, Inc.

\$40,000,000 3% Sinking Fund Debentures, due June 1, 1966
 400,000 Shares 3½% Cumulative Convertible Preferred Stock

(par value \$100 per share)
 INCLUDING RIDERS CONTAINING SUPPLEMENTAL
 INFORMATION ATTACHED TO AND MADE A PART
 OF THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE
 SECURITIES AND EXCHANGE COMMISSION

American Airlines, Inc. has registered the securities by filing certain information with the Commission. The Commission has not passed on the merits of any securities registered with it.

IT IS A CRIMINAL OFFENSE TO REPRESENT THAT THE COMMISSION HAS APPROVED
 THESE SECURITIES OR HAS MADE ANY FINDING THAT THE STATEMENTS IN
 THIS PROSPECTUS OR IN THE REGISTRATION STATEMENT ARE CORRECT.

		Price to Public*	Underwriting Discounts and Commissions**	Net Cash Proceeds to the Company†
Per Unit	{ Debentures.....	100%	1¼%	98¾%
	{ Preferred Stock.....	\$102	\$2.00	\$100
Total	{ Debentures.....	\$40,000,000	\$500,000	\$39,500,000
	{ Preferred Stock.....	\$40,800,000	\$800,000	\$40,000,000

* Plus accrued interest on the Debentures and accrued dividends on the Preferred Stock, from June 1, 1946 to the date of delivery.

** Reference is made to "Underwriting" herein for information regarding indemnification agreements between the Company and the Underwriters.

† Without allowing for expenses payable by the Company.

The Debentures and Preferred Stock are offered by the Underwriters subject to the terms of offering set forth herein. It is expected that the Debentures and the certificates for the Preferred Stock, in temporary form, will be ready for delivery on or about June 14, 1946 at the office of Kidder, Peabody & Co., 17 Wall Street, New York 5, New York, against payment therefor in New York funds.

A complete list of Underwriters, including those named below, appears under the caption "Underwriting" in this Prospectus.

Kidder, Peabody & Co.
 Glore, Forgan & Co.

Lehman Brothers
 Emanuel, Deetjen & Co.

This Prospectus does not constitute an offer by any Underwriter to sell securities in any state to any person to whom it is unlawful for such Underwriter to make such offer in such state.

The date of issue of this Prospectus is June 11, 1946.

TWA 257

TWA v. Hughes, et al.I N D E X

<u>Document No.</u>	<u>Description</u>
1	Lease Agreement between Hughes Tool Company ("Lessor") and Trans World Airlines, Inc. ("Lessee"), dated January 30, 1959 relating to one Boeing Model 707-131 aircraft bearing FAA No. N 731-TW, including four Pratt & Whitney JT 30-6 Engines.
2	Same, dated March 17, 1959 relating to 707-131 aircraft, FAA No. N 732-TW.
3	Same, dated March 30, 1959 relating to 707-131 aircraft, FAA No. N 733-TW.
4	Same, dated March 30, 1959 relating to 707-131 aircraft, FAA No. N 734-TW.
5	Same, dated April 18, 1959 relating to 707-131 aircraft, FAA No. N 735-TW.
6	Same, dated April 29, 1959 relating to 707-131 aircraft, FAA No. N 736-TW.
7	Same, dated May 10, 1959 relating to 707-131 aircraft, FAA No. N 737-TW.
8	Same, dated May 13, 1959 relating to 707-131 aircraft, FAA No. N 738-TW.
9	Same, dated May 28, 1959 relating to 707-131 aircraft, FAA No. N 739-TW.
10	Same, dated May 24, 1959 relating to 707-131 aircraft, FAA No. N 740-TW.
11	Same, dated June 13, 1959 relating to 707-131 aircraft, FAA No. N 741-TW.

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<u>Document No.</u>	<u>Description</u>
12	Same, dated July 1, 1959 relating to 707-131 aircraft, FAA No. N 742-TW.
13	Same, dated July 10, 1959 relating to 707-131 aircraft, FAA No. N 743-TW.
14	Same, dated July 14, 1959 relating to 707-131 aircraft, FAA No. N 744-TW.
15	Same, dated August 1, 1959 relating to 707-131 aircraft, FAA No. N 745-TW.
16	Amendment of Lease Agreements relating to aircraft Nos. N 732-TW through N 741-TW (docs 2-11, this Index) to extend date of latest termination from June 30, 1959 to September 30, 1959; dated June 30, 1959
17	Amendment of Lease Agreements relating to aircraft Nos. N 732-TW through N 745-TW (docs 2-15, this Index) to extend latest termination date beyond September 30, 1959 and until terminated by either party upon twenty-four hours written notice by either party; dated September 28, 1959.
18	Lease Agreement between Hughes Tool Company ("Lessor") and Trans World Airlines, Inc. ("Lessee"), dated November 8, 1959 relating to one Boeing Model 707-331 aircraft bearing FAA No. N 761-TW, including four Pratt & Whitney JT 4A-3 Engines.
19	Same, dated November 6, 1959 relating to 707-331 aircraft, FAA No. N 762-TW.
20	Same, dated November 17, 1959 relating to 707-331 aircraft, FAA No. N 763-TW.
21	Same, dated December 17, 1959 relating to 707-331 aircraft, FAA No. N 764-TW, as amended.

THIS AGREEMENT entered into as of the 30th day of January 1959 by and between Hughes Tool Company, a Delaware corporation ("Lessor") and Trans World Airlines, Inc., a Delaware corporation ("Lessee");

WITNESSETH:

1.

Lessor hereby agrees to lease to Lessee and Lessee hereby agrees to hire and take from Lessor, subject to the terms and conditions herein provided, one Boeing Model 707-131 aircraft bearing FAA No. N731-TW (Manufacturer's Serial No. 17655), including four Pratt and Whitney JT3C-6 Engines (Serial Nos. 5NP 629019B, 5NP 629201B, 5NP 629202B, and 5NP 629200B), herein sometimes referred to as "the Aircraft."

2.

The lease of the Aircraft shall commence on delivery of the Aircraft to Lessee and shall continue from day-to-day until terminated by either of the parties. The lease shall terminate upon twenty-four hour written notice to such effect from one party to the other. The Aircraft shall be delivered to Lessee hereunder at Kansas City, Missouri, on January 30, 1959 or on the delivery of the Aircraft to Lessor by Boeing Airplane Company, whichever is later.

3.

(a) At the time of commencement of this lease the Aircraft shall have a current provisional Certificate of Airworthiness issued under Special Civil Air Regulation No. 425, adopted by the Civil Aeronautics Board on June 20, 1958, permitting crew training, service testing and simulated carrier operations but not permitting carriage of passengers for hire. Lessee agrees to accept the Aircraft in its present

condition and Lessor makes no warranties or representations whatsoever as to condition of the Aircraft, and none shall be implied in law.

Such warranties and guarantees from manufacturers and suppliers of the Aircraft and its equipment as can be effectively assigned for the term of this lease are hereby assigned by Lessor to Lessee for the term of this lease to the extent of Lessee's interest accruing during the term of such lease.

(b) Upon the termination of this lease, Lessee agrees to return the Aircraft to Lessor (at Mid-Continent International Airport, Kansas City, Missouri, or such other place as may be mutually agreed) in the same condition and equipped with the same equipment as it was at the commencement of the lease, except for reasonable wear and tear from ordinary use.

During the term of the lease Lessee may at its own expense remove from the Aircraft such items of equipment, and may install on the Aircraft such additional items of equipment, as Lessee may consider reasonably necessary to fit such Aircraft for use by Lessee; provided, however, that no such removal or installation which shall cause permanent change in the structure of the Aircraft shall be made without the prior written consent of Lessor unless such removal or installation is made pursuant to a mandatory FAA requirement. Such items as shall be so removed may be either retained in the custody of Lessee, or returned to Lessor, but in either event they shall be reinstalled on the Aircraft prior to the return of the Aircraft to Lessor. Items of non-mandatory nature that shall have been installed in the Aircraft shall be removed prior to the return of the Aircraft to Lessor.

3.

5.

Lessee shall perform all necessary maintenance, overhaul and servicing on the Aircraft during the term of the lease in accordance with the requirements of the Federal Aviation Agency.

6.

If, during the term of the lease of Aircraft pursuant to this agreement, the Federal Aviation Agency or any other governmental agency having jurisdiction shall make mandatory the installation, removal or modification (other than mere inspection) of items on the Aircraft, then compliance shall be effected promptly at Lessor's expense.

7.

Lessee shall be liable for any loss of, or damage to, any Aircraft while leased from Lessor hereunder. During all times that the Aircraft is leased hereunder, Lessee shall, at its own cost and expense, keep the Aircraft, insured against loss or damage from crash, fire, wind storm, collision, strike, riots, insurrection, civil commotion or other accident or casualty (except war risk and engine ingestion) with Lessor named as a co-insured and shall furnish Lessor with a certificate of insurance therefor. The amount of such insurance shall not be less than \$4,700,000 per Aircraft, with flight deductible and ground deductible clauses substantially equivalent to those currently in force in Lessee's other insurance policies. In the event of damage to the Aircraft, during the term of the lease, from a risk required to be covered by such insurance, Lessee will repair the damage at its own expense. Upon complying with the foregoing provision, Lessee shall be entitled to retain (or, in the case of receipt by Lessor, to receive from Lessor) all proceeds of insurance with respect to such damage. In the event the Aircraft is lost, destroyed or damaged beyond

4.
repair, Lessee will pay to Lessor, as their interests may appear, for such Aircraft the sum of \$1,700,000 (U.S. currency), less any amounts that might have been paid to and retained by Lessor as proceeds from the insurance, which shall constitute payment for all right, title and interest of Lessor in the Aircraft which shall thereupon pass to Lessee. The policies providing the insurance required by this agreement shall include customary provisions that Lessor shall not be responsible for the representations and warranties of Lessee and that Lessor shall receive notice prior to cancellation or expiration (unless the policy is being renewed) of any policy.

5.
Lessee agrees to defend, indemnify and hold harmless Lessor from and against all losses, including cost and expenses by reason of claims for injury or death of persons and loss or damage to property arising out of or in any manner connected with possession, use or operation by Lessee of the Aircraft leased hereunder during the term of such lease. During such term the Lessee shall keep in force and effect Liability insurance in the amounts recommended by Lessee's Senior Vice-President-Finance.

6.
Lessee agrees that no aircraft leased pursuant hereto will be used during the term of the lease in any manner which shall violate any law or regulation of any government or governmental agency having jurisdiction and that any fine, penalty or forfeiture resulting from any such violation shall be the sole responsibility of Lessee.

5.

10.

(a) As rent for the Aircraft leased hereunder Lessee shall pay to Lessor the sum of \$2,500.00 for each full day during the term of the lease. The rental shall be paid on the last day of each month.

(b) Lessee shall also pay to Lessor in respect of each of the engines on the Aircraft \$31.00 per hour for each hour since the last overhaul on such engine at the time returned to Lessor on the termination of the lease less the number of hours since manufacture or overhaul on such engine on the delivery of the Aircraft to Lessee.

If the hours since last overhaul on any engine at the time it is returned to Lessor on termination of the lease are less than the number of hours since manufacture or overhaul on such engine on delivery of the Aircraft to Lessee, Lessor shall pay to Lessee \$31.00 for each hour of difference between the two figures.

Settlement under this subparagraph (b) shall be made within 15 days after the end of the term of the lease.

11.

Lessee shall have no right to consent to any lien or liens on the Aircraft. Any liens incurred by Lessee shall be discharged at the cost and expense of Lessee, who shall indemnify and save Lessor harmless against any such lien or liens. Lessee shall pay all operating taxes and licenses applicable to the Aircraft or the operation thereof, and also shall pay all property taxes assessed against Lessee or Lessor with respect to the Aircraft by any state, county, or other political subdivision to which Lessor would not ordinarily pay property taxes, except for the use of the Aircraft by Lessee hereunder. Lessee also shall pay any and all

6.

state, federal, county and local sales and use taxes assessed against either Lessee or Lessor resulting from the lease or use hereunder of the Aircraft.

12.

Notwithstanding any of the above provisions it is further agreed that

(a) This lease agreement is entered into subject to approval of the Civil Aeronautics Board and until an order has been entered by the Civil Aeronautics Board permitting the transaction covered by this agreement no rental shall be paid hereunder;

(b) This lease is subject to the necessary consents of the holders of obligations issued by Trans World Airlines, Inc. under its outstanding indentures, chattel mortgages and loan agreements. In the absence of such consents no rental shall be paid hereunder.

IN WITNESS WHEREOF, each of the parties hereto has caused this agreement to be executed in its name and in its behalf by its officer or agent thereunto duly authorized.

TRANS WORLD AIRLINES, INC.

By AW Resler

HUGHES TOOL COMPANY

By Raymond O Cook

Raymond Cook as Agent.

CHRONOLOGICAL

Contract No. LD-133

PURCHASE AGREEMENT

Lockheed Constellation

THIS AGREEMENT entered into in duplicate as of the 23 day of December, 1954, by and between LOCKHEED AIRCRAFT CORPORATION, a California corporation (hereinafter sometimes called "Seller"), with an office at Burbank, California, and HUGHES TOOL COMPANY, a Delaware corporation (hereinafter sometimes called "Buyer"), with its principal place of business at Houston, Texas. In consideration of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1 - NUMBER AND DESCRIPTION OF AIRPLANES

(a) Seller shall sell and Buyer shall purchase on the terms and conditions hereinafter set forth twenty-five Model 1449A-01-120 airplanes of the Lockheed Constellation type (hereinafter referred to as the "airplanes") manufactured in accordance with Lockheed Report No. 1420-1, dated ~~November~~ December 17, 1954, revised ~~February~~ 22, 1954, (which Report, hereinafter referred to as the "Specification", is attached hereto, made a part hereof and marked "Appendix 1"). In the event of conflict or inconsistency between any provision of the Specification and any other provision of this agreement, the latter provision shall prevail.

ARTICLE 2 - CHANGE ORDERS

(a) The terms and conditions of this agreement, including the Specification, may be amended by Change Orders signed by persons respectively duly authorized by Buyer and Seller.

(b) Seller shall make such reasonable changes in the Specification prior to and during manufacture and in such of the airplanes, during their manufacture and assembly, as Buyer may desire, and appropriate Change Orders shall be mutually executed and delivered by Buyer and Seller setting forth such changes, provided Buyer accepts (by appropriate provisions in said Change Orders) all, if any, effects which are reasonably occasioned by such changes upon the design, performance, weight, time of delivery and/or the basic price of the affected airplanes. If credits to the basic price of any airplane result from any such change, Buyer shall have the benefit thereof.

(c) For the purpose of expediting the work hereunder the parties may, prior to, and pending, the execution of a formal Change Order as herein prescribed, amend the terms and conditions of this agreement, including the Specification, by an exchange of telegrams or letters authorizing any change and covering the subject matter thereof, including the effect thereof on basis

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price and generally, to the extent available, the effect thereof, if any, on the design, performance, weight and time of delivery of the affected Airplane, which exchange of telegrams or letters shall refer to this paragraph (c) of this ARTICLE 2 and shall be signed by persons duly authorized by Buyer and Seller. Any such telegraphic or letter amendment shall, as soon as reasonably possible, be reflected in an appropriate Change Order which shall set forth in detail the effect, if any, on the design, performance, weight, time of delivery and/or the basic price of the affected Airplane, it being agreed that such Change Order shall supersede such telegraphic or letter amendment. Within forty-five days after any such telegraphic or letter amendment Seller shall submit to Buyer the Change Order to cover such amendment to which shall be attached appropriate revised Specification page or pages, except that revised pages showing weight and performance changes need not be submitted until the final specification is made.

(d) Where the Specification provides for the approval of Buyer of the use of materials, methods, processes, equipment or designs, Seller shall give to Buyer's Representative a written notice together with such information with respect to any such proposed item in such detail as shall reasonably permit the evaluation thereof by Buyer. Buyer shall, within ten (10) business days from the date of such notice, notify Seller of Buyer's approval or disapproval, and in the event Seller is not notified of Buyer's disapproval within such period, Seller's proposal shall conclusively be deemed to have been approved by Buyer. In the event Buyer shall notify Seller, within such period, of its disapproval of such proposed item, the notice of such disapproval shall be accompanied by Buyer's counter-proposal in reasonable detail. If such counter-proposal is, in Seller's reasonable and good faith opinion, feasible and practicable, Seller shall as soon as practicable notify Buyer's Representative of the effect thereof, if any, on design, times of delivery of the affected Airplane, basic price and guaranteed weight and performance. Unless, within five (5) business days from the date Seller so notifies Buyer, Buyer shall notify Seller that it does not authorize Seller to proceed on the basis of such counter-proposal, Seller shall so proceed and shall, as soon as reasonably possible, submit to Buyer an appropriate Change Order in the premises and Buyer shall promptly execute and deliver the same. In the event that such counter-proposal is not, in Seller's reasonable and good faith opinion, feasible and practicable, or in the event that Buyer shall notify Seller within said period of five (5) business days that it does not authorize Seller to so proceed, then Seller may proceed with respect to such item in accordance with Seller's original proposal, with due regard to Buyer's desires insofar as Seller deems practicable in the light of its contractual obligations.

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Contract No. LD-138

ARTICLE 3 - DELIVERY

(a) Each Airplane shall be delivered to Buyer in good operating condition at Burbank, California, on or as soon as practicable before the date specified in the following schedules

<u>Airplane</u>	<u>Date</u>	<u>Airplane</u>	<u>Date</u>
1st	January 31, 1957	14th	June 30, 1957
2nd	February 28, 1957	15th	June 30, 1957
3rd	February 28, 1957	16th	June 30, 1957
4th	March 31, 1957	17th	June 30, 1957
5th	March 31, 1957	18th	July 31, 1957
6th	April 30, 1957	19th	July 31, 1957
7th	April 30, 1957	20th	July 31, 1957
8th	April 30, 1957	21st	July 31, 1957
9th	May 31, 1957	22nd	August 31, 1957
10th	May 31, 1957	23rd	August 31, 1957
11th	May 31, 1957	24th	August 31, 1957
12th	May 31, 1957	25th	August 31, 1957
13th	May 31, 1957		

(b) If seasonably requested in writing by Buyer, Seller shall deliver any or all of the Airplanes at a place other than Burbank, California, provided an amendment hereto, reflecting the delay, if any, in delivery and the increase in the purchase price occasioned by delivery at such other place, is executed.

ARTICLE 4 - PRICE

(a) The basic price of each Airplane shall be \$2,690,817 increased or decreased as set forth in Change Orders entered into in accordance with ARTICLE 2 hereof.

(b) The purchase price of each Airplane shall be the sum of the basic price and

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- (i) Increases or decreases in accordance with the instrument attached hereto marked "Exhibit A", entitled "Price Adjustment Conditions" and by this reference made a part hereof; and
- (ii) Increases or decreases equal to the aggregate excess over or deficiency under the prices in the instrument attached hereto marked "Exhibit B", entitled "Escalation List" and by this reference made a part hereof, of the cost to Seller of the items set forth in such instrument and incorporated in such Airplane, it being agreed that Seller shall use its best efforts to obtain such items at the most advantageous prices available;

provided, however, that the aggregate increases or decreases occasioned by the operation of the provisions of subparagraph (i) of this paragraph (b) shall not exceed, as to each Airplane, an amount equal to five per cent of the basic price of such Airplane, and provided, further, that no increases occasioned by the operation of the provisions of subparagraphs (i) and (ii) of this paragraph (b) shall be assessed against Buyer as to any Airplane with respect to any periods after the delivery of such Airplane is delayed beyond the time provided for the delivery thereof pursuant to the provisions of ARTICLE 3 (a) hereof as the result of a cause not expressly provided as being or being deemed to be excusable as elsewhere in this agreement provided.

(c) In addition to the purchase price of each Airplane, Buyer shall pay to Seller, upon demand (i) the cost, including without limitation reasonable compensation for the preservation and protection of such Airplane, incurred by Seller by reason of delay in delivery of such Airplane for any period in excess of one week during which delivery is delayed by Buyer's fault or upon its responsibility, and (ii) any tax, other than a tax upon the income of Seller, paid by Seller by virtue of the sale, delivery, storage or transfer of such Airplane or its use by, or any act of, Buyer after delivery. If claim is made against Seller for any such tax, Seller shall immediately notify Buyer. If reasonably requested by Buyer in writing, Seller shall not pay any such tax except under protest after using all reasonable efforts to avoid payment and, if payment be made, shall use all reasonable efforts to obtain a refund thereof. If all or any part of such tax be refunded, Seller shall repay to Buyer so much thereof as Buyer shall have paid. Buyer shall pay to Seller, upon demand, all expenses reasonably incurred by Seller in protesting payment of such tax and in endeavoring to obtain such refund.

(d) Prior to the delivery of each Airplane, Seller shall give to Buyer a notice in writing stating whether or not, and the amount, if any, by which, the price of such Airplane has increased or decreased solely by reason of the operation of the provisions contained in said Exhibit A,

Boeing-Boeing Purchase Agreement, L-1449A - 12/23/54)

Contract No. LD-133

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and solely by reason of the operation of the provisions of paragraph (b) (11) of this ARTICLE, and otherwise, in reasonable detail, of the respective factors occasioning such increases or decreases.

(c) The basic price of each Airplane shall be reduced to an amount not in excess of the lowest basic price at which Seller may contract to sell, during the period of twelve months from and after the date of this agreement, any Lockheed Model 1149A Constellation airplanes (which Constellation airplanes are hereinafter in this paragraph (c) sometimes referred to as "subsequent airplanes"), including, for the purposes hereof, any and all airplanes sold or contracted to be sold to the Government of the United States or to any foreign government or any branch or department or agency of any thereof (but not including airplanes sold or contracted to be sold or delivered to commercial airlines engaged in the carriage of passengers or cargo for hire), after giving appropriate, reasonable and equitable effect in the determination of such lowest basic price to differences, if any, in the respective specifications and in the respective agreements relating to the supplying or furnishing to Seller of items of equipment by the respective purchasers applicable to or for incorporation in, as the case may be, the Airplanes and to or in the subsequent airplanes and after giving appropriate, reasonable and equitable effect in the determination of such lowest basic price to differences between the factors of price escalation set forth in this agreement and those, if any, set forth in the contract or contracts relating to the subsequent airplanes. In the event Seller enters into a contract for the sale of any of the subsequent airplanes on a fixed price basis rather than on the basis of a basic price with escalation, then in giving effect to the intent of this paragraph (c) the final purchase price of each Airplane, for purposes of comparison with such fixed price, shall be deemed to have obtained throughout the term of this agreement prior to the delivery of such Airplane as the fixed price thereof and post-delivery adjustment, if any be required in accordance with such intent, shall be made between Buyer and Seller with respect to the purchase price of such Airplane; provided, however, that in the event the fixed price of any subsequent airplane is one hundred and five per cent (105%) or more of the basic price of the Airplane, after giving effect to the differences hereinabove mentioned, then for all of the purposes of this paragraph (c) the fixed price of such subsequent airplane and the basic price and the final purchase price of each of the Airplanes shall be deemed to be the same, or in the event such fixed price of any subsequent airplane is less than one hundred and five per cent (105%) of the basic price of any Airplane, then the amount of adjustment to be made with respect to such Airplane, if any be required in accordance with such intent, shall not be greater than the difference between (i) such fixed price and (ii) one hundred and five per cent (105%) of the basic price of such Airplane or the final purchase price of such Airplane, whichever is the lower. As an exception to all of the foregoing, it is expressly understood and agreed that the foregoing

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Contract No. LD-133

provisions of this paragraph (c) only relate and are intended to relate only to a contract or contracts entered into within the said period of twelve months with a single purchaser when the number of subsequent airplanes covered by such contract or contracts is twenty-five or less and that none of the airplanes covered by any such contract or contracts shall be deemed to be subsequent airplanes for the purposes of this paragraph (c) in the event such contract with a single purchaser expires, or such contracts with a single purchaser cover an aggregate of, more than twenty-five airplanes.

ARTICLE 5 - PAYMENT

(a) The purchase price of each Airplane shall be paid by Buyer to Seller in installments as provided by letter agreement SI/93053 supplemental to this Contract No. LD-133, executed contemporaneously herewith, and by this reference made a part hereof.

(b) All payments made pursuant to this agreement shall be made in lawful money of the United States of America or by check drawn upon and duly certified by a member bank of the United States Federal Reserve System and payable in such money. All payments made by Buyer to Seller hereunder shall be made, unless otherwise expressly provided, at Seller's office in Burbank, California.

(c) If this agreement is terminated, in whole or as to any Airplane or Airplanes, by Seller under ARTICLE 6 (a) hereof, or by Buyer under ARTICLE 6 (a) hereof under circumstances, relating to the time of termination, which do not permit the retention by Seller of amounts of money on account of such termination, or by Buyer or by Seller under ARTICLE 1b (a) hereof, or by reason of a material default of Seller, then Seller shall forthwith repay to Buyer each installment, theretofore paid by Buyer to Seller, of the purchase price of each Airplane with respect to which such termination is effective. Except as aforesaid, and except as otherwise provided in said letter agreement SI/93053, Seller shall be under no obligation to repay any installment of the purchase price of any Airplane to Buyer.

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Contract No. LL-138

ARTICLE 19 - BENEFITS AND ASSIGNMENTS

(a) This agreement shall inure to the benefit of and shall be binding upon each of the parties hereto and their respective successors and assigns, but it may not be voluntarily assigned wholly or in part by either party without the prior written consent of the other party; except that Seller may assign any of its fixed or contingent rights to receive money hereunder and Buyer may assign any of its contingent rights to the airplanes or any thereof for the purpose of securing any obligation for the repayment of moneys loaned or advanced by any financial institution to finance in whole or in part the purchase of the airplanes. Notwithstanding the foregoing, Buyer shall have the right to assign this Contract in whole or in part without such consent to Trans World Airlines, Inc., and upon such assignment Trans World Airlines, Inc., shall succeed to such of the rights and obligations of the Buyer hereunder as are so assigned and the Buyer shall cease to have or to be subject to such rights or obligations so assigned; provided, that Buyer shall, in the event of the assignment to Trans World Airlines, Inc., of Buyer's payment obligations under ARTICLE 5 (a) hereof, guarantee the due and punctual payment of such obligations by said assignee.

ARTICLE 20 - NOTICES

(a) Any notice or communication pertaining to this agreement shall be deemed to have been duly given by a party hereto if served upon the other or if sent to the other by registered mail or by telegraph. Buyer shall forthwith and may from time to time thereafter, specify by written notice to Seller the address to which notices shall be sent to Buyer. Service of any such notice upon, or the sending thereof to, Buyer's representative shall be deemed to be service of notice upon, or the sending of notice to, Buyer, as the case may be.

(b) The date upon which any such notice or communication is served, or the date upon which it is received by the addressee, shall be deemed to be the date of such notice and the date it is given irrespective of any date appearing therein.

ARTICLE 21 - ASSIGNMENTS

(a) This agreement may not be varied or amended except by an instrument in writing executed concurrently with or subsequent to the execution of this agreement and signed on behalf of Buyer and of Seller by persons respectively thereunto duly authorized.

ARTICLE 22 - APPLICABLE LAW

(a) This agreement shall be construed and performance thereof shall be determined according to the laws of the State of New York.

September 26, 1955

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Re: Contract LD-147 with Lockheed Aircraft Corporation

Mr. C.H. Price
Hughes Tool Company
5425 Polk Street
Houston, Texas

Dear Mr. Price:

I enclose herewith duplicate copies of the following instruments in connection with the aforementioned contract, each executed by an authorized officer of Lockheed, to-wit:

1. Basic contract dated September 24, 1955.
2. Letter Agreements Nos. 1-10, inclusive, each undated but reciting concurrent execution.

This contract has been approved by Mr. Hughes for execution and has been authorized by the Hughes Tool Company Board of Directors according to its resolution adopted September 15, 1955. For identification, I have initialed in pencil each of the places where you should sign.

When these instruments have been signed, one executed copy of each should be transmitted promptly to Lockheed. Since there is no transmittal letter from Lockheed, it makes no difference to whose attention these are sent; but I would suggest for their convenience that you send the contract to

NO. 10-11-12-13-14-15-16-17-18-19-20-21-22-23-24-25-26-27-28-29-30-31-32-33-34-35-36-37-38-39-40-41-42-43-44-45-46-47-48-49-50-51-52-53-54-55-56-57-58-59-60-61-62-63-64-65-66-67-68-69-70-71-72-73-74-75-76-77-78-79-80-81-82-83-84-85-86-87-88-89-90-91-92-93-94-95-96-97-98-99-100-101-102-103-104-105-106-107-108-109-110-111-112-113-114-115-116-117-118-119-120-121-122-123-124-125-126-127-128-129-130-131-132-133-134-135-136-137-138-139-140-141-142-143-144-145-146-147-148-149-150-151-152-153-154-155-156-157-158-159-160-161-162-163-164-165-166-167-168-169-170-171-172-173-174-175-176-177-178-179-180-181-182-183-184-185-186-187-188-189-190-191-192-193-194-195-196-197-198-199-200-201-202-203-204-205-206-207-208-209-210-211-212-213-214-215-216-217-218-219-220-221-222-223-224-225-226-227-228-229-230-231-232-233-234-235-236-237-238-239-240-241-242-243-244-245-246-247-248-249-250-251-252-253-254-255-256-257-258-259-260-261-262-263-264-265-266-267-268-269-270-271-272-273-274-275-276-277-278-279-280-281-282-283-284-285-286-287-288-289-290-291-292-293-294-295-296-297-298-299-300-301-302-303-304-305-306-307-308-309-310-311-312-313-314-315-316-317-318-319-320-321-322-323-324-325-326-327-328-329-330-331-332-333-334-335-336-337-338-339-340-341-342-343-344-345-346-347-348-349-350-351-352-353-354-355-356-357-358-359-360-361-362-363-364-365-366-367-368-369-370-371-372-373-374-375-376-377-378-379-380-381-382-383-384-385-386-387-388-389-390-391-392-393-394-395-396-397-398-399-400-401-402-403-404-405-406-407-408-409-410-411-412-413-414-415-416-417-418-419-420-421-422-423-424-425-426-427-428-429-430-431-432-433-434-435-436-437-438-439-440-441-442-443-444-445-446-447-448-449-450-451-452-453-454-455-456-457-458-459-460-461-462-463-464-465-466-467-468-469-470-471-472-473-474-475-476-477-478-479-480-481-482-483-484-485-486-487-488-489-490-491-492-493-494-495-496-497-498-499-500-501-502-503-504-505-506-507-508-509-510-511-512-513-514-515-516-517-518-519-520-521-522-523-524-525-526-527-528-529-530-531-532-533-534-535-536-537-538-539-540-541-542-543-544-545-546-547-548-549-550-551-552-553-554-555-556-557-558-559-560-561-562-563-564-565-566-567-568-569-570-571-572-573-574-575-576-577-578-579-580-581-582-583-584-585-586-587-588-589-590-591-592-593-594-595-596-597-598-599-600-601-602-603-604-605-606-607-608-609-610-611-612-613-614-615-616-617-618-619-620-621-622-623-624-625-626-627-628-629-630-631-632-633-634-635-636-637-638-639-640-641-642-643-644-645-646-647-648-649-650-651-652-653-654-655-656-657-658-659-660-661-662-663-664-665-666-667-668-669-670-671-672-673-674-675-676-677-678-679-680-681-682-683-684-685-686-687-688-689-690-691-692-693-694-695-696-697-698-699-700-701-702-703-704-705-706-707-708-709-710-711-712-713-714-715-716-717-718-719-720-721-722-723-724-725-726-727-728-729-730-731-732-733-734-735-736-737-738-739-740-741-742-743-744-745-746-747-748-749-750-751-752-753-754-755-756-757-758-759-760-761-762-763-764-765-766-767-768-769-770-771-772-773-774-775-776-777-778-779-780-781-782-783-784-785-786-787-788-789-790-791-792-793-794-795-796-797-798-799-800-801-802-803-804-805-806-807-808-809-810-811-812-813-814-815-816-817-818-819-820-821-822-823-824-825-826-827-828-829-830-831-832-833-834-835-836-837-838-839-840-841-842-843-844-845-846-847-848-849-850-851-852-853-854-855-856-857-858-859-860-861-862-863-864-865-866-867-868-869-870-871-872-873-874-875-876-877-878-879-880-881-882-883-884-885-886-887-888-889-890-891-892-893-894-895-896-897-898-899-900-901-902-903-904-905-906-907-908-909-910-911-912-913-914-915-916-917-918-919-920-921-922-923-924-925-926-927-928-929-930-931-932-933-934-935-936-937-938-939-940-941-942-943-944-945-946-947-948-949-950-951-952-953-954-955-956-957-958-959-960-961-962-963-964-965-966-967-968-969-970-971-972-973-974-975-976-977-978-979-980-981-982-983-984-985-986-987-988-989-990-991-992-993-994-995-996-997-998-999-1000-1001-1002-1003-1004-1005-1006-1007-1008-1009-1010-1011-1012-1013-1014-1015-1016-1017-1018-1019-1020-1021-1022-1023-1024-1025-1026-1027-1028-1029-1030-1031-1032-1033-1034-1035-1036-1037-1038-1039-1040-1041-1042-1043-1

TWA Ex. 266, page 2
Toolco-Lockheed Purchase Agreement, L-10490 - 9/26/55)

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0003

Page 2 - Mr. C. H. Price - September 26, 1955

the attention of Mr. Carl B. Squier.

Mr. John Collings of T.W.A. has asked me to call him by telephone as soon as the contract has been signed by both parties; accordingly I will appreciate your calling me at that time. At your convenience I would also appreciate your furnishing us with two photostatic copies of each of these documents.

Yours very truly,

Raymond A. Cook

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Encls.

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HOUSTON

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Lockheed Aircraft Corporation Contract Number LD-187

PURCHASE AGREEMENT

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HTC - HOUSTON

PURCHASE AGREEMENT

Lockheed Constellation

THIS AGREEMENT entered into in duplicate as of the 24th day of September, 1955, by and between LOCKHEED AIRCRAFT CORPORATION, a California corporation (hereinafter sometimes called "Seller"), with an office at Burbank, California, and EUGENE TOOL COMPANY, a Delaware corporation (hereinafter sometimes called "Buyer"), with its principal place of business at Houston, Texas. In consideration of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1 - NUMBER AND DESCRIPTION OF AIRPLANES

(a) Seller shall sell and Buyer shall purchase on the terms and conditions hereinafter set forth five Model 1049G-82-110 Airplanes of the Lockheed Constellation type, (hereinafter referred to as the "Airplanes"), manufactured in accordance with Lockheed Report No. 7579-18, revised June 7, 1954, as amended by Specification Changes One through Twenty-eight, and as further amended by Constellation Master Changes 730 and 731, dated July 15, 1955, revised September 6, 1955, (which Report, as so amended, hereinafter referred to as the "Specification", is attached hereto, made a part hereof, and marked "Appendix 1"). In the event of conflict or inconsistency between any provision of the Specification and any other provision of this Agreement, the latter provision shall prevail.

ARTICLE 2 - CHANGE ORDERS

(a) The terms and conditions of this Agreement, including the Specification, may be amended by Change Orders signed by persons respectively duly authorized by Buyer and Seller.

(b) Seller shall make such reasonable changes in the Specification prior to and during manufacture and in such of the Airplanes, during their manufacture and assembly, as Buyer may desire, and appropriate Change Orders shall be mutually executed and delivered by Buyer and Seller setting forth such changes, provided Buyer accepts (by appropriate provisions in said Change Orders) all, if any, effects which are reasonably occasioned by such changes upon the design, performance, weight, time of delivery and/or the basic price of the affected Airplanes. If credits to the basic price of any Airplane result from any such change, Buyer shall have the benefit thereof.

(c) For the purpose of expediting the work hereunder the parties may, prior to, and pending, the execution of a formal Change Order as herein prescribed, amend the terms and conditions of this agreement, including the Specification, by an exchange of telegrams or letters authorizing any change

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and covering the subject matter thereof, including the effect thereof on basic price and generally, to the extent available, the effect thereof, if any, on the design, performance, weight and time of delivery of the affected airplanes, which exchange of telegrams or letters shall refer to this paragraph (c) of this ARTICLE 2 and shall be signed by persons duly authorized by Buyer and Seller. Any such telegraphic or letter amendment shall, as soon as reasonably possible, be reflected in an appropriate Change Order which shall set forth in detail the effect, if any, on the design, performance, weight, time of delivery and/or the basic price of the affected airplanes, it being agreed that such Change Order shall supersede such telegraphic or letter amendment. Within forty-five days after any such telegraphic or letter amendment Seller shall submit to Buyer the Change Order to cover such amendment to which shall be attached appropriate revised Specification page or pages, except that revised pages showing weight and performance changes need not be submitted until the final specification is made.

(d) Where the Specification provides for the approval of Buyer of the use of materials, methods, processes, equipment or designs, Seller shall give to Buyer's Representative a written notice together with such information with respect to any such proposed item in such detail as shall reasonably permit the evaluation thereof by Buyer. Buyer shall, within ten (10) business days from the date of such notice, notify Seller of Buyer's approval or disapproval, and in the event Seller is not notified of Buyer's disapproval within such period, Seller's proposal shall conclusively be deemed to have been approved by Buyer. In the event Buyer shall notify Seller, within such period, of its disapproval of such proposed item, the notice of such disapproval shall be accompanied by Buyer's counter-proposal in reasonable detail. If such counter-proposal is, in Seller's reasonable and good faith opinion, feasible and practicable, Seller shall as soon as practicable notify Buyer's Representative of the effect thereof, if any, on design, times of delivery of the affected airplanes, basic price and guaranteed weight and performance. Unless, within five (5) business days from the date Seller so notifies Buyer, Buyer shall notify Seller that it does not authorize Seller to proceed on the basis of such counter-proposal, Seller shall so proceed and shall, as soon as reasonably possible, submit to Buyer an appropriate Change Order in the premises and Buyer shall promptly execute and deliver the same. In the event that such counter-proposal is not, in Seller's reasonable and good faith opinion, feasible and practicable, or in the event that Buyer shall notify Seller within said period of five (5) business days that it does not authorize Seller to so proceed, then Seller may proceed with respect to such item in accordance with Seller's original proposal, with due regard to Buyer's desires insofar as Seller deems practicable in the light of its contractual obligations. For purposes of this paragraph (d), Buyer approval secured under Contract No. LD-111 or Contract No. LD-138, in identical application, shall be deemed to be Buyer approval secured pursuant to this paragraph (d).

TWA Ex. 266, page 6

(Toolco-Lockheed Purchase Agreement, L-10490 - 9/26/55)

Contract No. LD-147

0006

ARTICLE 3 - DELIVERY

(a) Each Airplane shall be delivered to Buyer in good operating condition at Purbank, California, on or as soon as practicable before the date specified in the following schedule:

AirplaneDate

1st

June 30, 1956

2nd

June 30, 1956

3rd

July 31, 1956

4th

July 31, 1956

5th

August 31, 1956

(b) If seasonably requested in writing by Buyer, Seller shall deliver any or all of the airplanes at a place other than Purbank, California, provided an amendment hereof, reflecting the delay, if any, in delivery and the increase in the purchase price occasioned by delivery at such other place, is executed.

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ARTICLE 4 - PRICE

(a) The basic price of each Airplane shall be \$1,929,000 increased or decreased as set forth in Change Orders entered into in accordance with ARTICLE 2 hereof.

(b) The purchase price of each Airplane shall be the sum of the basic price and

- (1) Increases or decreases in accordance with the instrument attached hereto marked "Exhibit A", entitled "Price Adjustment Conditions" and by this reference made a part hereof; and
- (11) Increases or decreases equal to the aggregate excess over or deficiency under the prices in the instrument attached hereto marked "Exhibit B", entitled "Escalation List" and by this reference made a part hereof, of the cost to Seller of the items set forth in such instrument and incorporated in such Airplane, it being agreed that Seller shall use its best efforts to obtain such items at the most advantageous prices available;

provided, however, that the aggregate increases or decreases occasioned by the operation of the provisions of subparagraphs (1) and (11) of this paragraph (b), other than increases and decreases in the prices of engines and of propellers over the unit prices therefor set forth in said Exhibit B, shall not exceed, as to each Airplane, an amount equal to five percent of the basic price of such Airplane, and provided, further, that no increases occasioned by the operation of the provisions of subparagraphs (1) and (11) of this paragraph (b) shall be assessed against Buyer as to any Airplane with respect to any periods after the delivery of such Airplane is delayed beyond the time provided for the delivery thereof pursuant to the provisions of ARTICLE 3 (a) hereof as the result of a cause not expressly provided as being or being deemed to be excusable as elsewhere in this agreement provided.

(c) In addition to the purchase price of each Airplane, Buyer shall pay to Seller, upon demand (i) the cost, including without limitation reasonable compensation for the preservation and protection of such Airplane, incurred by Seller by reason of delay in delivery of such Airplane for any period in excess of one week during which delivery is delayed by Buyer's fault or upon its responsibility, and (ii) any tax, other than a tax upon the income of Seller, paid by Seller by virtue of the sale, delivery, storage or transfer of such Airplane or its use by, or any act of, Buyer after delivery. If claim is made against Seller for any such tax, Seller shall immediately notify Buyer. If reasonably requested by Buyer in writing, Seller shall not pay any such tax except under protest after using all reasonable efforts to avoid payment and, if payment be made, shall use all reasonable efforts to obtain a refund thereof. If all or any part of such tax be refunded, Seller shall repay to Buyer so much thereof as Buyer shall have paid. Buyer shall pay to Seller, upon demand, all expenses reasonably incurred by Seller in protesting payment of such tax and in endeavoring to obtain such refund.

TWA Ex. 266, page 8

(Toolco-Lockheed Purchase Agreement, L-1049G - 9/26/55)

Contract No. LD-117

0008

(d) Prior to the delivery of each Airplane, Seller shall give to Buyer a notice in writing stating whether or not, and the amount, if any, by which, the price of such Airplane has increased or decreased solely by reason of the operation of the provisions contained in said Exhibit A, and solely by reason of the operation of the provisions of paragraph (b) (ii) of this ARTICLE, and summaries, in reasonable detail, of the respective factors occasioning such increases or decreases.

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ARTICLE 5 - PAYMENT

(a) The purchase price of each Airplane shall be paid by Buyer to Seller in two installments as follows:

- (1) A first installment in an amount equal to twenty-five percent (25%) of the basic price set forth in ARTICLE 6 (a) hereof, shall be paid by Buyer to Seller within five (5) days following the execution and delivery of this Agreement.
- (11) A second installment in an amount equal to the balance of the purchase price, being the purchase price of such Airplane, as the same may be finally determined, less the amount theretofore paid thereon, shall be paid by Buyer to Seller upon the delivery of such Airplane.

(b) All payments made pursuant to this agreement shall be made in lawful money of the United States of America or by check drawn upon and duly certified by a member bank of the United States Federal Reserve System and payable in such money. All payments made by Buyer to Seller hereunder shall be made, unless otherwise expressly provided, at Seller's office in Burbank, California.

(c) If this Agreement is terminated, in whole or as to any Airplane or Airplanes, by Seller under ARTICLE 6 (a) hereof, or by Buyer under ARTICLE 6 (a) hereof under circumstances, relating to the time of termination, which do not permit the retention by Seller of amounts of money on account of such termination, or by Buyer or by Seller under ARTICLE 14 (a) hereof, or by reason of a material default of Seller, then Seller shall forthwith repay to Buyer each installment, theretofore paid by Buyer to Seller, of the purchase price of each Airplane with respect to which such termination is effective. Except as aforesaid, and as might result from the application of ARTICLE 6 (b) hereof, Seller shall be under no obligation to repay any installment of the purchase price of any Airplane to Buyer.

shall do so if the parties agree, prior to the time the manufacture and assembly of such Airplane is otherwise completed, on the extent of the delay in delivery and the amount and method of payment of Seller's charges for such incorporation. If Buyer fails to deliver an item of customer furnished equipment to Seller prior to the completion of the manufacture and assembly of the Airplane in which such item is scheduled for incorporation, then, notwithstanding any other provision of this Agreement, Seller shall tender delivery of such Airplane to Buyer, and Buyer shall accept delivery of such Airplane, without such item incorporated therein. In the event of the delivery of an Airplane without an item of customer furnished equipment incorporated therein, an equitable adjustment of the purchase price of such Airplane shall be made, giving effect to the nonincorporation therein by Seller of such item. If Seller's production requirements for an item of customer furnished equipment are deferred, Seller shall notify Buyer of the revised requirement date for the delivery of such item. Any item of customer furnished equipment, delivered by Buyer to Seller and not incorporated in an Airplane, shall be redelivered to Buyer by Seller at Burbank, California. In the event that an item of customer furnished equipment incorporated in an Airplane does not, after such incorporation, operate satisfactorily for any reason not occasioned by the fault or negligence of Seller or by the manner of incorporation thereof by Seller in such Airplane, then Buyer shall pay to Seller, upon demand, Seller's reasonable charges for removing such item of equipment and the reincorporation in such Airplane of another or the repaired item of equipment in lieu thereof, and for effecting the necessary ground and flight tests of such Airplane resulting from such reincorporation, and the time for the delivery of such Airplane shall be extended for the period necessary to accomplish such removal, reincorporation and testing. In the event of any termination of this Agreement as to undelivered Airplanes by Buyer or by Seller pursuant to ARTICLE 6 or ARTICLE 14 hereof, Buyer shall, at Seller's written request given at any time within sixty days from and after the date of such termination, sell to Seller all customer furnished equipment relating to such undelivered Airplanes at a price not exceeding Buyer's cost therefor plus Buyer's handling charges incurred in connection with the original delivery thereof as customer furnished equipment to Seller. If Seller does not make such request within said period, then promptly after the expiration of such period Seller shall deliver all such customer furnished equipment to Buyer at Lockheed Air Terminal, Burbank, California.

ARTICLE 19 - BENEFITS AND ASSIGNMENTS

(a) This Agreement shall inure to the benefit of and shall be binding upon each of the parties hereto and their respective successors and assigns, but it may not be voluntarily assigned wholly or in part by either party without the prior written consent of the other party; except that Seller may assign any of its fixed or contingent rights to receive money hereunder and Buyer may assign any of its contingent rights to the Airplanes or any thereof for the purpose of securing any obligation for the repayment of monies loaned or advanced by any financial institution to finance in whole or in part the purchase of the Airplanes. Notwithstanding the foregoing, Buyer shall have the right to assign this Contract in whole or in part without such consent to Trans World Airlines, Inc., and upon such assignment Trans World Airlines, Inc., shall succeed to such of the rights and obligations of the Buyer hereunder as are so assigned and the Buyer shall cease

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Contract No. LD-147

to have or be subject to such rights or obligations so assigned; provided, that Buyer shall, in the event of the assignment to Trans World Airlines, Inc., of Buyer's payment obligations under ARTICLE 5 (a) hereof, guarantee the due and punctual payment of such obligations by said assignee.

ARTICLE 20 - NOTICES

(a) Any notice or communication pertaining to this Agreement shall be deemed to have been duly given by a party hereto if served upon the other or if sent to the other by registered mail or by telegraph. Buyer shall forthwith and may from time to time thereafter, specify by written notice to Seller the address to which notices shall be sent to Buyer. Service of any such notice upon, or the sending thereof to, Buyer's Representative shall be deemed to be service of notice upon, or the sending of notice to, Buyer, as the case may be.

(b) The date upon which any such notice or communication is served, or the date upon which it is received by the addressee, shall be deemed to be the date of such notice and the date it is given irrespective of any date appearing therein.

ARTICLE 21 - AMENDMENTS

(a) This Agreement may not be varied or amended except by an instrument in writing executed concurrently with or subsequent to the execution of this Agreement and signed on behalf of Buyer and of Seller by persons respectively thereto duly authorized.

ARTICLE 22 - APPLICABLE LAW

(a) This Agreement shall be construed and performance thereof shall be determined according to the laws of the State of New York.

ARTICLE 23 - CONTRACT NUMBER

(a) This Agreement may, for identification, be referred to as "Contract No. LD-147".

IN WITNESS WHEREOF, each party hereto has executed this Agreement as of the day and year first above written.

LOCKHEED AIRCRAFT CORPORATION

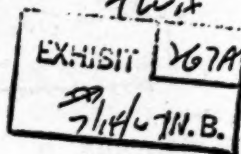
By *Redgerat Donaldson*

HUGHES TOOL COMPANY

By *C. H. Price*

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TWA Ex. 267A, page 1
(Letter TWA to Toolco-1957 Common Stock Offering)



TRANS WORLD AIRLINES, Inc.

320 MADISON AVENUE,
NEW YORK 17, NEW YORK, U.S.A.

July 9, 1957

Hughes Tool Company
2200 Gulf Building
Houston 2, Texas

Attention: Mr. C. H. Price, Vice President

Dear Sirs:

With respect to our offering of 3,337,036 shares of our Common Stock to stockholders, we beg to advise that 3,291,119 shares were subscribed for at a total subscription price of \$42,784,547. Of this number and amount, 2,476,142 shares were subscribed for directly by you at a total subscription price of \$32,189,043, and we are advised by Morrill Lynch, Pierce, Fennor & Donah that they have subscribed for an additional 170,900 shares at the price of \$2,221,700 for your account. Your aggregate purchases are therefore 2,647,042 shares at a price of \$34,411,546.

This amount exceeds your minimum commitment to us under the agreement between us dated June 6, 1957, and confirmed June 14, 1957. You are, however, entitled to purchase under said agreement all or any part of the 45,917 shares unsubscribed for on said offering at the price of \$13 per share.

With respect to telegraphic subscriptions (in which we have the subscription price and a guarantee of delivery of the warrants) it is possible that some warrants will not be delivered and we will be in a position to sell shares covered by these warrants to you. If you wish to include these shares in your purchase we suggest that you advise us that you wish to purchase unsubscribed shares. If, however, you do not wish to include these shares we suggest that you advise us of the

Hughes Tool Company

-2-

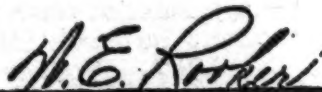
July 9, 1957

Pursuant to said agreement between us you are to notify us not later than July 11, 1957, of the number of shares you wish to acquire in the event you wish to acquire more than the number of shares you have already purchased. You are to pay for all shares purchased pursuant to said agreement at such times and in such amounts as we may request. When we request you to purchase a block of shares we suggest that, if it is convenient for you, you pay for the same by depositing the amount of the purchase price to the credit of our account at the National Bank of Commerce, Houston, Texas, entitled "Trans World Airlines, Inc., General Account", with instructions that the bank is to notify us by wire of the date these funds are available for our use.

We will give appropriate instructions to our Transfer Agent so that a certificate for shares purchased will be forwarded to you promptly upon notification to us that such deposit has been made.

We will furnish you with information as to our net proceeds from the offering as soon as the data is completed. This information relates to the amount of the credit referred to in paragraph 7 of our above mentioned agreement with you.

Very truly yours,



W. E. Rooker
Assistant Treasurer

COPY

EXHIBIT

W70

7/14/57 W.B.

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TRANS WORLD AIRLINES, INC.

380 Madison Avenue
New York 17, New York

July 11, 1957



The New York Trust Company
100 Broadway
New York 15, N. Y.

Attention: Mr. Edwin H. Dorman,
Assistant Secretary

Dear Sirs:

Please be advised that Hughes Tool Company has purchased 45,917 shares of our Common Stock, such shares being the portion of the 3,337,036 shares of such stock offered for subscription to stockholders and not purchased upon the exercise of warrants. Accordingly, you are hereby authorized and directed, pursuant to resolutions of our Board of Directors adopted at a meeting held June 14, 1957, and heretofore certified to you, as follows:

1. To issue, record and countersign as Transfer Agent of such Common Stock, one certificate bearing date of July 11, 1957, for said 45,917 shares in the name of Hughes Tool Company.
2. To deliver the certificate so recorded and countersigned to the Registrar of said Common Stock for registration and countersignature and to receive it from the Registrar when so registered and countersigned.
3. To mail said certificate to Hughes Tool Company at its address of record, by registered mail, addressed to the attention of Mr. C. H. Price, Vice President.

In connection with the Federal original issue payable with respect to the issue of said shares,

COPY

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The New York Trust Company

-2-

July 11, 1957

we request you to make payment of the tax and bill us
for the cost thereof.

Very truly yours,

TRANS WORLD AIRLINES, INC.

By John H. Clumson
Vice President

C
O
P
Y

HUGHES TOOL COMPANY

EXECUTIVE OFFICES
TWENTY-SECOND FLOOR GULF BUILDING

HOUSTON 2, TEXAS

June 7, 1957



EXHIBIT 271
7/1/67 B.

Securities and Exchange Commission
Division of Trading and Exchanges
Washington 25, D.C.

Attention: Mr. Edward H. Emerson

Dear Sirs:

Reference is made to the Registration Statement (File No. 2-13376) filed by Trans World Airlines, Inc. ("TWA") on May 23, 1957 for registration under the Securities Act of 1933 of an offering to stockholders, through issuance of subscription rights ("Rights"), of additional shares of TWA's common stock, and to the agreement to be entered into between this Company and TWA (a copy of which is Exhibit 13d to such Registration Statement) under which this Company may purchase part or all of the shares not subscribed for pursuant to such offering.

In view of the provision of the abovementioned agreement whereby TWA will, in the event this Company becomes the owner of 20% or more of TWA's outstanding stock, permit this Company to file consolidated tax returns for itself and TWA, this Company may wish, under certain conditions, to purchase Rights in the open market in order to increase its percentage of TWA stock. Assuming that Rule X-10B-6 under the Securities Exchange Act of 1934 would apply to any purchases of Rights by this Company, this Company could not legally purchase Rights even pursuant to Rule X-10B-3(d), as such purchases would not be made with a view to sale of the shares acquired upon exercise, and accordingly would not comply with subparagraph (a) of such Rule. This Company has no present intention to distribute any stock of TWA acquired upon exercise of Rights or otherwise, and in the abovementioned agreement with TWA will agree not to sell any Rights acquired by it.

Accordingly, it is respectfully requested, pursuant to Rules X-10B-6(f) and X-10B-3(f), that the Commission exempt from Rules X-10B-6 and X-10B-3, as not constituting

Page 2 -
Securities and Exchange Commission
June 7, 1957

a manipulative or deceptive device or contrivance comprehended within the purpose of said Rules, any bids for or purchases of Rights by this Company during the subscription period, provided such bids or purchases are made in compliance with the conditions specified in subparagraphs (A) through (F) of paragraph (d) of Rule X-10B-3, without the limitation imposed by subparagraph (G) thereof.

Yours very truly,

HUGHES TOOL COMPANY

Original Signed By
C. H. Fike

By: _____
Vice President

cc: Andrews, Kurth, Campbell & Bradley
2200 Gulf Building
Houston, Texas

TWA Ex. 275, page 2
(TWA Board Minutes, April 26, 1945)

following officers and Executive Committee members were unanimously elected to hold office until their successors are chosen and qualified:

OFFICERS

T. B. Wilson	- Chairman of the Board
Jack Frye	- President
E. Lee Talman	- Executive Vice President
John A. Collings	- Vice President-Transportation
E. O. Cooke	- Vice President-Traffic
J. C. Franklin	- Vice President-Engineering and Maintenance
Otis F. Bryan	- Vice President-War Projects
G. E. Fleming	- Vice President
Jack Nichols	- Vice President
John B. Thurston	- Treasurer
A. W. Jens, Jr.	- Secretary
E. C. Peet	- Comptroller
G. A. Gress	- Assistant Secretary and Assistant Treasurer
W. W. McQueen	- Assistant Treasurer
W. D. Gay	- Assistant Treasurer-Financial
G. W. Herre	- Assistant Secretary
Myra E. Black	- Assistant Secretary
Margaret L. Ewell	- Assistant Secretary

EXECUTIVE COMMITTEE

Jack Frye - Chairman
Sidney Maestre
G. W. Perelle

Mr. Perelle was elected a member of the Executive Committee subject to approval of his election as a Director by the Civil Aeronautics Board.

CREATION AND ELECTION
OF A FINANCE COMMITTEE

It was suggested that a Finance Committee be created and elected in lieu of the former Bank Relations Committee.

After discussion, and upon motion duly made, seconded and carried, the following resolutions were unanimously adopted:

RESOLVED, that the Committee of the Board of Directors of the Corporation known as the Bank Relations Committee, be and it hereby is

abolished, and the authority of said Bank Relations Committee be and it hereby is terminated and revoked; and further

RESOLVED, that a Committee of the Board of Directors of the Corporation, to be known as the Finance Committee, consisting of four (4) members of the Board, including the President, be and it hereby is created; and further

RESOLVED, that Messrs. Jack Frye, Sidney Maestre, E. Lee Talman and (subject to the approval of the Civil Aeronautics Board of his acting as a Director of this Corporation) C. W. Perelle be and they hereby are elected as members of the Finance Committee of the Board of Directors of this Corporation, to hold office until their successors are elected and qualified.

POWERS AND DUTIES OF FINANCE COMMITTEE

Upon motion duly made, seconded and carried, the following resolutions were unanimously adopted:

RESOLVED, that the Finance Committee shall, among other powers granted to it by the Board, have authority to exercise the powers of the Board of Directors to open and close bank accounts, to designate persons authorized to sign checks with respect to said accounts and to terminate the authority of such persons, to determine the methods of signing checks and to authorize the use of autographic or facsimile signatures; and further

RESOLVED, that the Treasurer with the prior or subsequent written approval of a majority of the members of the Finance Committee be and he hereby is authorized in the name and on behalf of the Corporation to open and close bank accounts, to designate persons authorized to sign checks with respect to said accounts and to terminate the authority of such persons, to determine the methods of signing checks and to authorize the use of autographic or facsimile signatures; and further

RESOLVED, that any bank or banker be and he hereby is authorized to accept the certification of

TWA Ex. 275, page 4
(TWA Board Minutes, April 26, 1945)

the Secretary or any Assistant Secretary of the Corporation that the written approval of a majority of the members of the Finance Committee has been obtained; and further

RESOLVED, that the Secretary or any Assistant Secretary be and he hereby is authorized to certify the foregoing resolutions under the seal of the Corporation; and further

RESOLVED, that any prior resolution or resolutions inconsistent with the foregoing resolutions or authorizing any persons not named therein to act as therein provided is hereby superseded and abrogated, and the authority conferred by such resolution or resolutions is hereby terminated.

After discussion and upon motion duly made, seconded and carried, the following resolutions were unanimously adopted:

RESOLVED, that the Finance Committee consider and recommend to the Board of Directors a financing program for the procurement of additional funds through issuance of stock or borrowing, including the implementation of such program by utilizing the services of investment bankers; and further

RESOLVED, that the Finance Committee consider and recommend to the Board of Directors, for submission to the stockholders, a retirement plan for officers and employees; and further

RESOLVED, that the Finance Committee exercise such powers with respect to budgetary plans and compensation of personnel as the Board of Directors may by resolution from time to time authorize; and further

RESOLVED, that the Treasurer of this Corporation attend meetings of the Finance Committee and act as Secretary thereof.

EXPENSES OF OFFICERS -
LAST HALF OF 1944

The Directors were advised that the expenses of the officers for the last half of 1944 aggregated \$34,752.21 for

15-11
276 10

MEETING OF THE FINANCE COMMITTEE OF
THE BOARD OF DIRECTORS
September 12, 1945

A meeting of the Finance Committee was held at 3 p.m. in the Executive offices of the Corporation at 1740 G Street, N. W. Washington, D. C., September 12, 1945.

Members present were Mr. Jack Frye, Mr. Sidney Maestre, Mr. Charles Perelle, and Mr. E. Lee Talman. Present by invitation were Mr. LaMotte Cohu, Mr. Gilbert Scribner, Mr. Nelson Talbott, and Mr. John M. Lockhart.

Mr. Frye acted as Chairman.

FINANCING PROGRAM

After discussion it was resolved that the following recommendations should be submitted to the Board of Directors at its next meeting:

1. That the Board promptly call a meeting of stockholders to consider recommendations that (a) the number of authorized shares of common stock be increased from one million to four million and (b) a common stock dividend equal to 100% of the shares presently outstanding be declared.
2. That the Board of Directors, following stockholders' authorization, promptly sell a sufficient number of shares of common stock to raise not to exceed \$20,000,000.
3. That consideration be given to the sale of preferred stock in amounts sufficient to raise not to exceed \$25,000,000. Final decision on this point should be deferred pending discussion with investment bankers as to whether stockholders' authorization for this proposal should be requested at the same time as the authorization for sale of common stock, or whether the authorization to sell preferred should be deferred until the common stock financing has been accomplished.
4. That short term bank financing similar to the Stratoliner loan be arranged to provide funds for the purchase of the 18 C-69 Constellations and related equipment. It was the consensus of the Committee that debt should be kept at a minimum consistent with the maintenance of adequate working capital until equity financing has been completed and further, that no long term funded debt should be incurred at this time.

TWA Ex. 276, page 2
(TWA Finance Committee Minutes, September 12, 1945)

writer with whom the company would directly negotiate and that, while the company might indicate its preference for participants, negotiations with other participants should be handled by the principal investment banker. The Committee was in tentative agreement as to the selection of the principal investment banker, but no final decision was reached.

6. That no special Employees Stock Purchase Plan be incorporated in the present equity financing program. However, it was suggested that arrangements be made with the principal underwriter to give preference to requests of employees for subscriptions to the new stock.

RETIREMENT PLAN

The Committee directed that a proposal for an "ideal" retirement plan be submitted in writing to members of the Finance Committee prior to their next meeting so that a specific recommendation could be submitted to the Board of Directors at its October meeting.

SALARY AND WAGE BUDGET


The Committee approved the Salary and Wage budget submitted by the Executive Vice President. A summary of the approved budget is attached hereto.

CAPITALIZATION OF DEVELOPMENT EXPENSE AND OVERHEAD

The Committee discussed the capitalization of development expense and of overhead expense applicable to the conversion of aircraft. The Treasurer was directed to make a further study of this subject and to report thereon at the next meeting of the Finance Committee.

NEXT MEETING

It was resolved that the next meeting of the Finance Committee be held prior to the October meeting of the Board of Directors in order that definite recommendations to the Board relative to the matters discussed in this meeting may be submitted.


John M. Lockhart

TWA Ex. 278, page 5
(TWA Board Minutes, November 8, 1946)

report to the Board on the current pilots strike situation which began on October 21, 1946. He recalled to the Directors his letter dated October 26, 1946, advising them of the situation up to that time, and various other communications which had been conveyed to them to keep them abreast of developments. The meeting was advised that on November 6th the Executive Vice President had executed an agreement to arbitrate all matters in dispute with the Air Line Pilots Association, which agreement was prepared and presented to the Corporation and to the Union for signature by the Chairman of the National Mediation Board. The meeting was advised that the Union had refused to execute the agreement although its counsel had assisted in its preparation. The arbitration agreement provided for the immediate return of the striking pilots to duty and that the award of the arbitrators would be accepted by both sides. The President requested ratification of the act of the Vice President in executing the arbitration agreement and authority to conclude negotiations with the Air Line Pilots Association through the National Mediation Board in order to effectuate arbitration of the matters in dispute and the restoration of our operations.

Upon motion duly made, seconded and carried, it was

RESOLVED, that the action of the Executive Vice President in executing on behalf of this Corporation an agreement providing for the arbitration of the matters in dispute with the Air Line Pilots Association and which are involved in the current pilots strike as submitted by the Chairman of the National Mediation Board, be, and it hereby is, ratified and approved, and in the event that such agreement is executed by the Air Line Pilots Association the proper officers of the Corporation are authorized to take all steps necessary to effectuate the provisions of the agreement; and further

RESOLVED, that the proper officers of the Corporation are authorized to continue discussions with the Air Line Pilots Association through the National Mediation Board, looking toward the execution of an arbitration agreement in form satisfactory to the officer or officers of this Corporation executing the same and upon such execution to carry out all of the terms thereof in the best interests of the Corporation.

INCREASE OF AUTHORIZED
SHARES OF COMMON STOCK

The President recalled to the meeting that during the past

year financing plans under consideration had involved the issuance of common stock and that current plans being discussed also contemplated this feature. It was stated that the greatest delay in completing any financing involving common stock would result from the necessity of calling a stockholders' meeting in order to amend the charter of the Corporation to increase the number of shares of common stock authorized to be issued. The president explained that at least five weeks would be necessary for this purpose in view of Stock Exchange, SEC and legal requirements.

In order to put the Corporation in a position to finance readily when a program had been definitely adopted, it was proposed to set the machinery in motion to amend the charter to increase the authorized shares of common stock and to call a stockholders' meeting and otherwise comply with the statutory and other requirements which ordinarily produce delay. Accordingly, formal resolutions to this effect had been prepared for consideration by the directors.

Before acting on the proposal, the directors invited Mr. Noah Dietrich, Executive Vice President of Hughes Tool Company, and Mr. Palmer Bradley, Counsel for Hughes Tool Company, to join the meeting to discuss the proposed amendment and the general financing program of the Corporation. Prior to their arrival, Mr. Crosley withdrew from the meeting in order to leave Washington for a further engagement. The discussion which followed proceeded at some length. During the course of the discussion, the suggestion was made to include in the amendment of the charter provision for convertible preferred stock as well as common stock. In view of the uncertainty as to whether any new financing would involve convertible preferred stock and the inability to anticipate the preferences and privileges which the bankers would require in preferred stock of the Corporation for investment purposes, it was agreed that the amendment should propose only the increase in the authorized shares of common stock to an amount sufficient to make available enough common stock to support any security convertible into common stock as well as to provide common stock for issue directly in accordance with the numerous plans under consideration. It was agreed that an increase in the authorized shares of common stock up to 3,000,000 would be desirable to cover these contingencies.

On motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that this Board of Directors hereby proposes, declares advisable and recommends to the stockholders the amendment of the Agreement and Act of Consolidation, constituting the Certificate of Incorporation, of this Company to effect the increase from 1,000,000 to 3,000,000 in the total number of shares of stock which the

TWA Ex. 278, page 7
(TWA Board Minutes, November 8, 1946)

Company shall have authority to issue, without change in the par value of the authorized shares of this Company; and, for this purpose, that the first paragraph of Article IV of the Agreement and Act of Consolidation, constituting the Certificate of Incorporation, of this Company now reading as follows:

"Article IV. The total number of shares of stock which the Company shall have authority to issue is one million (1,000,000), all of which shall be Common Stock and shall have a par value of Five Dollars (\$5.00) a share, amounting in the aggregate to Five Million Dollars (\$5,000,000)."

be amended so that, as amended, the first paragraph of such Article IV shall read as follows:

"Article IV. The total number of shares of stock which the Company shall have authority to issue is three million (3,000,000), all of which shall be Common Stock and shall have a par value of Five Dollars (\$5.00) a share, amounting in the aggregate to Fifteen Million Dollars (\$15,000,000)."

the remainder of such Article IV, other than the first paragraph thereof, to be unchanged by such amendment; and that a special meeting of the stockholders entitled to vote in respect thereof be and it hereby is called to be held at 100 West Tenth Street, Wilmington, Delaware, at ten o'clock in the forenoon on December 23, 1946 for the consideration of such amendment.

On motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the close of business on November 22, 1946 be and it hereby is fixed as the record date for the determination of stockholders entitled to notice of and to vote at the special meeting of stockholders of this Company called to be held at ten o'clock in the forenoon on December 23, 1946, including any and all adjournments of such meeting; and further

RESOLVED, that the Secretary or other proper officer of this Company be and he hereby is authorized and directed to prepare with the advice of counsel and cause to be filed with the Securities and Exchange Commission preliminary forms of notice of special meeting of stockholders called to be held December 23, 1946, proxy and proxy

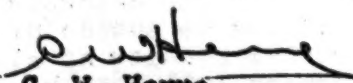
statement with respect thereto; that the Secretary or other proper officer be and he hereby is authorized with the advice of counsel to make such changes in the forms of notice of meeting, proxy statement and proxy as may be considered desirable to conform to any suggestions made by the Securities and Exchange Commission or otherwise, and thereafter to cause notice of such stockholders meeting, proxy statement and form of proxy to be mailed to the stockholders of this Company of record at the close of business on November 22, 1946 and to cause to be filed with or mailed to the Securities and Exchange Commission and the New York Stock Exchange copies of such documents in the form in which they shall be released to stockholders; and further

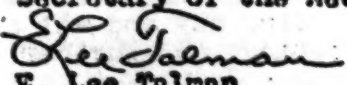
RESOLVED, that, in the form of proxy so to be sent to stockholders, the Secretary or other proper officer be and he hereby is authorized to include Thomas B. Wilson, Jack Frye and Paul E. Richter, as the attorneys and proxies named therein, with power of substitution; and further

RESOLVED, that, if the stockholders approve the proposed amendment to the Agreement and Act of Consolidation, constituting the Certificate of Incorporation, of this Company, the proper officers of this Company be and they hereby are authorized to file and record or cause to be filed and recorded as required by the law of Delaware a Certificate of Amendment to give effect to such proposed amendment as authorized by the stockholders.

ADJOURNMENT

The meeting adjourned at 6:45 P. M.


C. W. Herre
Secretary of the Meeting


E. Lee Talman
Secretary of the Meeting during
Mr. Herre's absence.

TRANSCONTINENTAL & WESTERN AIR, INC.

SPECIAL MEETING OF STOCKHOLDERS

DECEMBER 23, 1946

REPORT OF JUDGES

We, the undersigned, duly appointed Judges to conduct the vote of stockholders to be taken for and against the proposed amendment to the Agreement and Act of Consolidation, constituting the Certificate of Incorporation, at the special meeting of stockholders of TRANSCONTINENTAL & WESTERN AIR, INC., being held this 23rd day of December, 1946, do hereby report:

1. That we attended at the time and place appointed and before entering upon the performance of our duties we, each of us, took and subscribed an oath that we would faithfully execute the duties of such Judges at such meeting with strict impartiality and according to the best of our abilities.

2. That stockholders holding in the aggregate 218,563 shares of Common Stock of the Corporation, constituting less than a majority of the shares of such stock issued and outstanding and entitled to vote at said meeting on such proposed amendment, are present or are represented at said meeting.

Dated, December 23, 1946.

L. H. Hagan
L. E. Hagan

TWA Ex. 280A, page 1
(Minutes-Adjourned Special TWA Stockholders Meeting, Dec. 28, 1946)

TRANSCONTINENTAL & WESTERN AIR, INC.

Special Meeting of Stockholders of December 23, 1946

Adjournment of December 28, 1946

A special meeting of stockholders of TRANSCONTINENTAL & WESTERN AIR, INC., a Delaware corporation, held pursuant to the notice of such meeting at the offices of the Corporation, 100 West 10th Street, Wilmington, Delaware, on Monday, December 23, 1946, at 10:00 o'clock in the forenoon and duly adjourned at such time was duly reconvened pursuant to such adjournment at the same place on Saturday, December 28, 1946 at 2:00 o'clock in the afternoon.

Mr. Paul E. Richter, Executive Vice-President of the Corporation and previously appointed Chairman of the meeting, called the meeting to order.

The Chairman stated that in the absence of Mr. A. H. Jens, Jr., Secretary of the Corporation, and of Mr. C. W. Herre, previously appointed Secretary of the meeting, Mr. Carter L. Burgess, Assistant Secretary of the Corporation, would act as Secretary of the meeting.

Mr. Burgess thereupon acted as Secretary of the Meeting and kept the records of the proceedings.

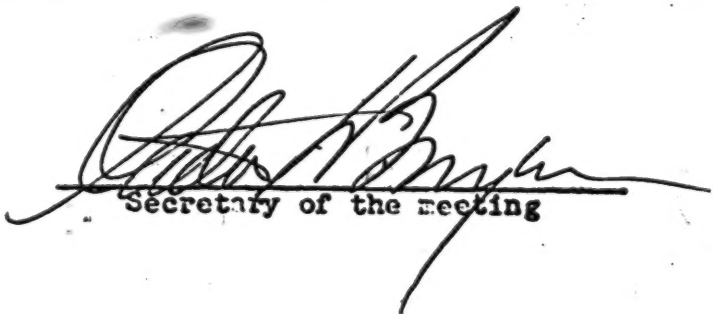
The Chairman stated that there had been presented to the meeting on December 23, 1946 a list of the stockholders of the Corporation of record at the close of business on November 22, 1946, the record date fixed by the Board of Directors of the Corporation for the determination of stockholders of the Corporation entitled to notice of and to vote at the meeting, which list contained the names and addresses of the holders of Common Stock of the Corporation and the number of shares held by them respectively, prepared and certified by Mr. C. W. Herre, an Assistant Secretary of the Corporation, and that such list was available for examination by any stockholder present. From such list, it appeared that there were outstanding on such record date and entitled to vote on all matters to come before the meeting 985,929 shares of Common Stock of the Corporation. The Secretary then ascertained the stockholders present in person or by proxy and the number of shares of Common Stock represented by each and reported that there were present in person or by proxy, the holders of the following number of shares of Common Stock of the Corporation entitled to vote at the meeting:

	<u>NO. OF SHARES</u>
Present in person	None
Represented by proxy to Thomas B. Wilson, Jack Frye and Paul E. Richter, and each of them; Paul E. Richter and George A. Spater as substitute proxy for Jack Frye being pre- sent at the meeting.	231,003
Represented by proxy to William Nugent; William Nugent being present at the meeting.	3,781
Total present in person or represented by proxy	<u>234,784</u>

The Chairman then suggested that, as Messrs. L. H. Herman and L. E. Gray had been duly elected to act as Judges to conduct the vote to be taken for and against the proposed amendment to the Agreement and Act of Consolidation, the consideration of which was the purpose of the meeting, that the Judges report on the stockholders present in person or by proxy. Proxies presented to the meeting were then delivered to the Judges, who examined same and took the roll of those present in person and, after examination of the certified list of stockholders previously presented, executed their written report which stated that there were represented in person or by proxy 234,784 shares of Common

stock of the Corporation entitled to vote at the meeting, constituting less than a majority of the shares of such stock issued and outstanding and entitled to vote at said meeting.

The Secretary of the meeting then read the report of the Judges and on motion, duly made, seconded and carried, it was ordered filed with the records of the meeting. The Chairman then announced that due notice of the meeting had been given, but that the holders of less than a majority of all the issued and outstanding Common Stock of the Corporation entitled to vote at the meeting were present in person or by proxy, which was insufficient to constitute a quorum. In accordance with the By-laws of the Corporation, the Chairman then adjourned the meeting to reconvene at the same place on Tuesday, December 31, 1946, at 2:00 o'clock in the afternoon.


Secretary of the Meeting

(Adjourned Special TWA Stockholders Meeting, Dec. 28, 1946-Judges

TRANSCONTINENTAL & WESTERN AIR, INC.

SPECIAL MEETING OF STOCKHOLDERS OF DECEMBER 23, 1946

ADJOURNMENT OF DECEMBER 28, 1946

REPORT OF JUDGES

We, the undersigned, duly appointed Judges to conduct the vote of stockholders to be taken for and against the proposed amendment to the Agreement and Act of Consolidation, constituting the Certificate of Incorporation, at the special meeting of stockholders of TRANSCONTINENTAL & WESTERN AIR, INC., called to be held on December 23, 1946 and on that day adjourned to this 28th day of December, 1946, do hereby report:

1. That we attended at the time and place appointed for such special meeting of stockholders, including the adjournment thereof held on December 28, 1946; and that before entering upon the performance of our duties we, each of us, took and subscribed an oath that we would faithfully execute the duties of such Judges at such meeting with strict impartiality and according to the best of our abilities.

2. That stockholders holding in the aggregate 234,768 shares of Common Stock of the Corporation, constituting less than a majority of the shares of such stock issued and outstanding and entitled to vote at said meeting on such proposed amendment, are present or are represented at the adjournment of said meeting held on December 28, 1946.

Dated, December 28, 1946.

[Handwritten signature]
J. E. G.

TRANSCONTINENTAL & WESTERN AIR, INC.

Special Meeting of Stockholders of December 23, 1946

Adjournment of December 31, 1946

A special meeting of stockholders of TRANSCONTINENTAL & WESTERN AIR, INC., a Delaware corporation, held pursuant to the notice of such meeting at the offices of the Corporation, 100 West 10th Street, Wilmington, Delaware, on Monday, December 23, 1946, at 10:00 o'clock in the forenoon and duly adjourned successively was duly reconvened pursuant to such adjournments at the same place on Tuesday, December 31, 1946 at 2:00 o'clock in the afternoon.

In the absence of the President and Mr. Richter, previously appointed Chairman of the meeting, Mr. John M. Lockhart, Treasurer of the Corporation, called the meeting to order and requested the appointment of a stockholder to act as Chairman. Upon motion duly adopted, Mr. Lockhart was appointed Chairman of the meeting and thereafter presided.

The Chairman stated that Mr. Burgess, previously appointed Secretary of the meeting, would act as Secretary of the meeting. Mr. Burgess thereupon acted as Secretary of the meeting and kept the records of the proceedings.

The Chairman stated that there had been presented to the meeting on December 23, 1946 a list of the stockholders of the Corporation of record at the close of business on November 22, 1946, the record date fixed by the Board of Directors of the Corporation for the determination of stockholders of

the Corporation entitled to notice of and to vote at the meeting, which list contained the names and addresses of the holders of Common Stock of the Corporation and the number of shares held by them respectively, prepared and certified by Mr. C. W. Herre, an Assistant Secretary of the Corporation and that such list was available for examination by any stockholder present. From such list, it appeared that there was outstanding on such record date and entitled to vote on all matters to come before the meeting 985,929 shares of Common Stock of the Corporation. The Secretary then ascertained the stockholders present in person or by proxy and the number of shares of Common Stock represented by each and reported that there were present in person or by proxy, the holders of the following number of shares of Common Stock of the Corporation entitled to vote at the meeting:


	<u>NO. OF SHARES</u>
Present in person	None
Represented by proxy to Thomas B. Wilson, Jack Frye and Paul E. Richter, and each of them; John M. Lockhart as substitute proxy for Thomas B. Wilson and Orvis Sowerwine as substitute proxy for Paul E. Richter being present at the meeting.	231,003
Represented by proxy to William Nugent; William Nugent being present at the meeting.	3,781
Total present in person or represented by proxy	<u>234,784</u>

The Chairman then suggested that, as Messrs. L. Herman and L. E. Gray had been duly elected to act as

(Minutes-Adjourned Special TWA Stockholders Meeting, Dec. 31, 1946)

to conduct the vote to be taken for and against the proposed amendment to the Agreement and Act of Consolidation, the consideration of which was the purpose of the meeting, that the Judges report on the stockholders present in person or by proxy. Proxies presented to the meeting were then delivered to the Judges, who examined same and took the roll of those present in person and, after examination of the certified list of stockholders previously presented, executed their written report which stated that there were represented in person or by proxy 234,784 shares of Common Stock of the Corporation entitled to vote at the meeting, constituting less than a majority of the shares of such stock issued and outstanding and entitled to vote at said meeting.

The Secretary of the meeting then read the report of the Judges and on motion, duly made, seconded and carried, it was ordered filed with the records of the meeting. The Chairman then announced that due notice of the meeting had been given, but that the holders of less than a majority of all the issued and outstanding Common Stock of the Corporation entitled to vote at the meeting were present in person or by proxy, which was insufficient to constitute a quorum. In accordance with the By-laws of the Corporation, the Chairman then adjourned the meeting to reconvene at the same place on Monday, January 6, 1947, at 2:00 o'clock in the afternoon.



(Adjourned Special TWA Stockholders Meeting, Dec. 31, 1946-Judges
TRANSCONTINENTAL & WESTERN AIR, INC.

SPECIAL MEETING OF STOCKHOLDERS OF DECEMBER 23, 1946

ADJOURNMENT OF DECEMBER 31, 1946

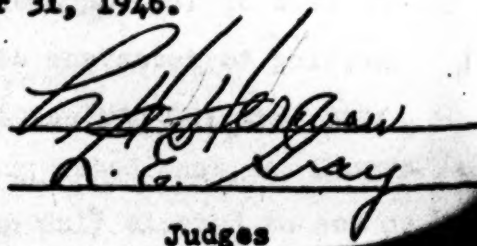
REPORT OF JUDGES

We, the undersigned, duly appointed Judges to conduct the vote of stockholders to be taken for and against the proposed amendment to the Agreement and Act of Consolidation, constituting the Certificate of Incorporation, at the special meeting of stockholders of TRANSCONTINENTAL & WESTERN AIR, INC., called to be held on December 23, 1946, and successively adjourned to this 31st day of December, 1946, do hereby report:

1. That we attended at the time and place appointed for such special meeting of stockholders, including the adjournments thereof held on December 28 and December 31, 1946; and that before entering upon the performance of our duties we, each of us, took and subscribed an oath that we would faithfully execute the duties of such Judges at such meeting with strict impartiality and according to the best of our abilities.

2. That stockholders holding in the aggregate 234,788 shares of Common Stock of the Corporation, constituting less than a majority of the shares of such stock issued and outstanding and entitled to vote at said meeting on such proposed amendment, are present or are represented at the adjournment of said meeting held on December 31, 1946.

Dated, December 31, 1946.


L. E. Hargan
R. E. Gray

Judges

TRANSCONTINENTAL & WESTERN AIR, INC.**Special Meeting of Stockholders of December 23, 1946****Adjournment of January 6, 1947**

A special meeting of stockholders of TRANSCONTINENTAL & WESTERN AIR, INC., a Delaware corporation, held pursuant to the notice of such meeting at the offices of the Corporation, 100 West 10th Street, Wilmington, Delaware, on Monday, December 23, 1946, at 10:00 o'clock in the forenoon and duly adjourned successively was duly reconvened pursuant to such adjournments at the same place on Monday, January 6, 1947 at 2:00 o'clock in the afternoon.

In the absence of the President and of Mr. Lockhart, the Chairman appointed to preside at the last adjournment, Mr. William Nugent called the meeting to order and requested the appointment of a stockholder to act as Chairman. Upon motion duly adopted, Mr. Nugent was appointed Chairman of the meeting and thereafter presided.

The Chairman stated that Mr. Burgess, previously appointed Secretary of the meeting, would act as Secretary of the meeting. Mr. Burgess thereupon acted as Secretary of the meeting and kept the records of the proceedings.

The Chairman stated that there had been presented to the meeting on December 23, 1946 a list of the stockholders of the Corporation of record at the close of business on November 22, 1946, the record date fixed by the Board of Directors of the Corporation for the determination of stockholders of

the Corporation entitled to notice of and to vote at the meeting, which list contained the names and addresses of the holders of Common Stock of the Corporation and the number of shares held by them respectively, prepared and certified by Mr. C. W. Herre, an Assistant Secretary of the Corporation, and that such list was available for examination by any stockholder present. From such list, it appeared that there were outstanding on such record date and entitled to vote on all matters to come before the meeting 985,929 shares of Common Stock of the Corporation. The Secretary then ascertained the stockholders present in person or by proxy and the number of shares of Common Stock represented by each and reported that there were present in person or by proxy, the holders of the following number of shares of Common Stock of the Corporation entitled to vote at the meetings:

NO. OF SHARES:

Present in person

None

Represented by proxy to Thomas B. Wilson, Jack Frye and Paul E. Richter, and each of them; Orvis Sowerwine as substitute proxy for Paul E. Richter being present at the meeting.

231,207

Represented by proxy to William Nugent; William Nugent being present at the meeting.

3,781

Represented by proxy to Carter L. Burgess; Carter L. Burgess being present at the meeting

100

Total present in person
or represented by

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Minutes & Judges' Report-Adjourned Special TWA Stockholders Meeting,
January 6, 1947)

The Chairman then suggested that, as Messrs. L. H. Herman and L. E. Gray had been duly elected to act as Judges to conduct the vote to be taken for and against the proposed amendment to the Agreement and Act of Consolidation, the consideration of which was the purpose of the meeting, that the Judges report on the stockholders present in person or by proxy. Proxies presented to the meeting were then delivered to the Judges, who examined same and took the roll of those present in person and, after examination of the certified list of stockholders previously presented, executed their written report which stated that there were represented in person or by proxy 235,088 shares of Common Stock of the Corporation entitled to vote at the meeting, constituting less than a majority of the shares of such stock issued and outstanding and entitled to vote at said meeting.

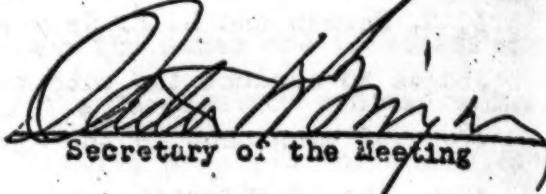
The Secretary of the meeting then read the report of the Judges and on motion duly made, seconded and carried, it was ordered filed with the records of the meeting.

The Chairman then announced that the holders of less than a majority of all the issued and outstanding Common Stock of the Corporation entitled to vote at the meeting were present in person or by proxy, which was insufficient to constitute a quorum. Thereupon, a motion was made, seconded and unanimously carried that the meeting be adjourned to reconvene at the same place on Monday, January 13, 1947, at 2:00 o'clock in the afternoon, and, in accordance with such motion and in accordance with the By-laws of the Corporation, the Chairman

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(Minutes & Judges' Report-Adjourned Special TWA Stockholders Meeting,
January 6, 1947)

Monday, January 13, 1947, at 2:00 o'clock in the afternoon.


Secretary of the Meeting

(Minutes & Judges' Report-Adjourned Special TWA Stockholders Meeting,
January 6, 1947)

SPECIAL MEETING OF STOCKHOLDERS OF DECEMBER 23, 1946

ADJOURNMENT OF JANUARY 6, 1947

REPORT OF JUDGES

We, the undersigned, duly appointed Judges to conduct the vote of stockholders to be taken for and against the proposed amendment to the Agreement and Act of Consolidation, constituting the Certificate of Incorporation, at the special meeting of stockholders of TRANSCONTINENTAL & WESTERN AIR, INC., called to be held on December 23, 1946, and successively adjourned to this 6th day of January, 1947, do hereby report:

1. That we attended at the time and place appointed for such special meeting of stockholders, including the adjournments thereof held on December 28 and December 31, 1946, and January 6, 1947; and that before entering upon the performance of our duties we, each of us, took and subscribed an oath that we would faithfully execute the duties of such Judges at such meeting with strict impartiality and according to the best of our abilities.

2. That stockholders holding in the aggregate 235,088 shares of Common Stock of the Corporation, constituting less than a majority of the shares of such stock issued and outstanding and entitled to vote at said meeting on such proposed amendment, are present or are represented at the adjournment of said meeting held on January 6, 1947.

Dated, January 6, 1947.

L. E. Tracy
L. E. Tracy

TWA Ex. 283, page 1
(TWA Board Minutes, December 18, 1946)

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MINUTES OF THE BOARD OF DIRECTORS MEETING
TRANSCONTINENTAL & WESTERN AIR, INC.

December 18, 1946

A regular meeting of the Board of Directors of Transcontinental & Western Air, Inc., was held at 9:30 A. M., Wednesday, December 18, 1946, at the offices of the Corporation, 1740 G Street, N. W., Washington, D. C., pursuant to notice dated December 14, 1946.

Directors present (as indicated in the minutes) were:

John A. Collings
Powel Crossley, Jr.
Jack Frye
Sidney Maestre
Warren Lee Pierson
Paul E. Richter
Gilbert H. Scribner
H. S. Talbott
E. Lee Talman
T. B. Wilson

constituting a quorum.

Directors absent were: LaMonte T. Cohn

General T. B. Wilson, Chairman, called the meeting to order and thereafter presided. Mr. Gerald B. Brophy, of counsel, was present by invitation.

Mr. Talman was appointed Secretary of the meeting.

PROOF OF NOTICE

Proof of notice of the meeting, in the form of an affidavit by A. M. Jens, Jr., Secretary, was presented to the meeting in order to file.

APPROVAL OF MINUTES

The minutes of the meeting of the Board of Directors held December 11, 1946, were presented to the Directors and after amendment and upon motion duly made, seconded and carried, were ratified and approved.

At this point, Messrs. Dietrich, Bradley, and Leslie, representing Hughes Tool Company, entered the meeting.

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REORGANIZATION OF GREEK AIRLINE

The Chairman reported that a new company to operate the internal airlines in Greece was being formed and it was proposed that the interest of TWA in the present Greek Airline be transferred to the new company in exchange for a 24% interest. The British would, likewise, participate in the new company to the extent of 24% and the remaining 52% would be owned by Greek interests. The Chairman explained that the new company would be capitalized at \$400,000. The 24% interest of TWA would amount to \$96,000 compared to TWA's present interest of 30% or \$60,000 in the existing company. The British would pay to TWA the sum of \$120,000 for its interest in the present company, of which \$96,000 would be invested by TWA in the new company. A portion of the remaining \$24,000 might be held to underwrite the participation of the Greek government as a loan but, in any event, the reorganization would not involve the expenditure of any new funds by TWA.

Upon motion duly made, seconded, and unanimously carried, the proper officers of the company were authorized to take the necessary steps to effectuate the proposed reorganization.

APPROVAL OF NEW RESERVATIONS SYSTEM

The Executive Vice President described to the Board a proposed new reservations system which would reduce costs, fix responsibilities, and improve revenues. It was estimated that the capital outlay necessary to establish the new system would be approximately \$53,000.

Upon motion duly made, seconded, and unanimously carried, the management was authorized to take the necessary steps to place the new system in operation and to make capital expenditures aggregating approximately \$53,000 for that purpose.

At this point, Messrs. Scribner and Grosley entered the meeting.

FINANCING PROGRAM

The Chairman stated that the meeting had been called at the request of Messrs. Dietrich and Bradley to consider a proposed revision of the outstanding Equitable Life debentures, which had been discussed with the representatives of Equitable Life by Messrs. Dietrich and Bradley since the last meeting of the Board. A memorandum outlining the proposed revision, which had been transmitted to the President by Equitable Life, was read to the meeting. Among other things, it provided for a voting trust covering all of the Hughes Tool stock under which there would be two trustees, one representing Hughes Tool Company and one representing Equitable Life. It was pointed out by counsel that the memorandum did not purport to contemplate the \$40,000,000 credit being discussed with the RFC for the purpose of providing adequate financing for the company to carry out its responsibilities in operating over the routes for which it has been certificated.

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by the United States government. It was agreed that the proposal contained in the memorandum was, for the most part, desirable except for the apparent elimination of the RFC credit.

At this point, the meeting recessed at 11:00 A. M. in order that Messrs. Dietrich and Bradley and a committee, consisting of all of the Board of Directors present who are not connected with management, and counsel for the company, might meet informally to discuss the problems arising out of the Equitable Life program.

The meeting reconvened at 1:45 P. M. at which time Mr. George A. Spater, of counsel, entered the meeting. Mr. Brophy reported, briefly, on the discussions which were taking place. Messrs. Pierson and Laestre were appointed as a committee of two to continue discussions with Messrs. Dietrich and Bradley and with Mr. Brophy.

The meeting was recessed at 2:00 P. M. and reconvened at 3:15 P. M. with Messrs. Laestre and Pierson absent from the meeting for the purpose of continuing discussions with Messrs. Dietrich and Bradley and with Mr. Brophy.

PROPOSED FINANCING OF TACA

At the request of the President, the Vice President - Administration read to the meeting two memoranda prepared by Hallgarten and Company regarding a proposal to permit the participation of Waterman Steamship Company in TACA. The program generally involved the sale by TACA of \$1,500,000 of convertible debentures of which Waterman would buy \$500,000 and have the right to buy an additional \$1,000,000 at any time prior to July 1, 1947. Options to purchase 510,000 shares of stock of TACA would be granted to Waterman by TWA (335,000 shares), Pennroad (50,000 shares), and Yarex (125,000 shares) over periods of thirty months at varying prices of \$2.00 to \$7.00 per share. Management of TACA would be turned over to Waterman. The proposal contained other conditions embodied in the two memoranda read to the meeting.

On motion duly made, seconded, and unanimously carried, the program outlined to the meeting, was approved and the proper officers of the company were authorized to take all steps necessary to put the program into effect. The memoranda were ordered filed with the records of this meeting.

LEASE OF HANGARS AT WASHINGTON NATIONAL AIRPORT

The Vice President - Administration reported to the meeting on the proposed lease of two hangars at the Washington National Airport. He recalled that on September 11, 1945, the Board had authorized the company to enter into a lease for ten years of two hangars to be built at the expense of the government at the Washington National Airport. He advised that the government had revised this proposal and was now offering to lease the hangars for only a three-year period. The discussion indicated the desirability of leasing

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both hangars, planning to sublease one of them if not immediately needed but reserving the right to reoccupy it in the event that it was required in the future. The lease would provide for annual rental of approximately \$35,000 for each hangar plus the cost of maintenance.

After further discussion and on motion duly made, seconded and unanimously carried, the proper officers of the company were authorized to negotiate a lease of the two hangars on the terms outlined provided that the company obtain the right to sublease during the period of the lease.

At this point, Messrs. Maestre, Pierson, and Brophy rejoined the meeting. Messrs. Maestre and Pierson were advised of the action taken with respect to the TACA proposal and the Washington hangars, which action was approved by them.

RESUMPTION OF DISCUSSION OF
FINANCING PROGRAM

Counsel for the company outlined to the Board a program, which had been agreed to with Messrs. Dietrich and Bradley, relating to the financing program, the designation of a new Senior Vice President responsible directly to the Board of Directors, the abolition of the Finance Committee previously appointed by the Board, and the designation of an Executive Committee with power to act between meetings of the Board.

Accordingly, upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the following program, developed and agreed to by a committee of the members of the Board of Directors not connected with Management and Messrs. Dietrich and Bradley, representing Hughes Tool Company, be adopted in order to proceed with the financing of the company:

- (1) The officers of the company are to work with Messrs. Dietrich and Bradley to develop a program of financing that will include
 - a. Establishment of the credit with the R.F.C.
 - b. Revision of the Equitable loan
 - c. \$10,000,000 of common stock
- (2) Mr. Frye will continue as President, General Wilson as Chairman of the Board, and Mr. Richter as Executive Vice President.

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- (3) A committee consisting of Messrs. Pierson and Maestre is designated to work with Messrs. Dietrich and Bradley in recommending to the Board a Senior Vice President to be responsible directly to the Board of Directors.
- (4) The bylaws are to be amended to provide the necessary authority to enable the Senior Vice President to carry out his responsibility to the Board of Directors.

FURTHER RESOLVED, that the persons designated in the foregoing resolution and the proper officers of the Corporation are authorized to carry out the program set forth therein.

ABOLITION OF FINANCE COMMITTEE

In accordance with the program agreed to with Messrs. Dietrich and Bradley, the following resolution was unanimously adopted:

RESOLVED, that the Finance Committee, created by resolution of the Board of Directors at its meeting held September 29, 1939, be and hereby is abolished.

AMENDMENT OF BYLAWS PROVIDING DUTIES OF SENIOR VICE PRESIDENT

In accordance with agreement with Messrs. Dietrich and Bradley, the following resolution was unanimously adopted:

RESOLVED, that Article IV of the bylaws be, and hereby is, amended so as to change the present Section 5 and Section 6 thereof to Section 6 and Section 7, respectively, and to insert as a new Section 5 the followings:

Section 5. Powers and Duties of the Senior Vice President. The Senior Vice President shall be the chief financial officer of the Corporation and shall be directly responsible to the Board of Directors. He shall have direct authority over the Treasurer. He shall prepare all budgets for the President subject to the approval of the Board of Directors and shall be responsible for their enforcement. He shall require that all disbursements are in accordance with appropriations and, in general, he shall be responsible for the proper control of the financial affairs of the Corporation.

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ESTABLISHMENT OF EXECUTIVE COMMITTEE

In accordance with program agreed to with Messrs. Dietrich and Bradley, the following resolution was unanimously adopted:

RESOLVED, that the bylaws of this Corporation be, and hereby are, amended to add to Article III thereof a new Section designated Section 11 reading as follows:

Section 11. Executive Committee. The Board of Directors shall have authority to establish an Executive Committee of three members, consisting of the President, the Senior Vice President, and a third member who shall be chosen from members of the Board of Directors not a part of the management of the Corporation. The Executive Committee shall have and may exercise all of the powers of the Board of Directors in the management of the business and affairs of the Corporation between meetings of the Board.

FURTHER RESOLVED, that Executive Committee, authorized by the foregoing amendment to the bylaws, be and hereby is created and that the initial Executive Committee shall consist of Mr. Frye, President, Mr. Warren Lee Pierson, member of the Board of Directors, and the Senior Vice President when selected, which committee shall hold office until the next annual meeting of the Board of Directors and until their successors shall be elected and shall qualify.

ADJOURNMENT

There being no further business to come before the meeting, it was adjourned.

E. Lee Talman
E. Lee Talman
Acting Secretary

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(TWA Board Minutes, December 27, 1946)

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**MINUTES OF THE BOARD OF DIRECTORS MEETING
TRANSCONTINENTAL & WESTERN AIR, INC.**

December 27, 1946

A special meeting of the Board of Directors of Transcontinental & Western Air, Inc., called to be held at 10:00 A. M. Friday, December 27, 1946 at the offices of the corporation, 1740 G Street, N. W., Washington, D. C., pursuant to notice of the Secretary convened at 10:30 A. M.

Directors present were: LaLotte T. Cohn
John A. Collings
Jack Frye
Sidney Ivestre
Warren Lee Pierson
Paul E. Richter
Gilbert H. Scribner
M. S. Talbott
E. Lee Talman

constituting a quorum.

Directors absent were: Powel Crossley, Jr.
and
General T. B. Wilson

In the absence of the Chairman of the Board, Mr. Frye presided.

In the absence of the Secretary, Mr. E. Lee Talman was chosen Secretary of the meeting.

Messrs. Gerald B. Brophy and George A. Spatar, of counsel, Admiral H. B. Miller, Vice President - Public Relations and Mr. Noah Dietrich, Executive Vice President of Hughes Tool Company, Colonel Palmer Bradley, Counsel for Hughes Tool Company and Mr. Victor A. Leslie, representing Hughes Tool Company, were present by invitation.

APPROVAL OF MINUTES

The minutes of the special meeting of the Board of Directors held December 18, 1946 were read to the meeting and on motion duly made and seconded were approved.

DISCUSSION OF FINANCING PROGRAM

The Chairman stated that the meeting had been called at the request of Hughes Tool Company and invited Mr. Dietrich to make any statement which he desired.

Mr. Dietrich expressed regret that Mr. Hughes could not be present but stated that he would be glad to come East to meet with the Board on

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(TWA Board Minutes, December 27, 1946)

Bd. Meeting 12/27/46

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or later. He then advised that Hughes Tool Company would be willing to invest Ten Million Dollars (\$10,000,000.) in the company if it could acquire control of the Board of Directors. Considerable discussion followed as to the conditions under which the Ten Million Dollars (\$10,000,000.) might be made available to the company. Following this, the Board considered it advisable to have a written proposal from the Hughes Tool Company so that all of the conditions might be before the Board and if accepted would constitute an agreement between Hughes Tool Company and the company, subject to the approval of the Civil Aeronautics Board. Messrs. Dietrich, Bradley and Leslie withdrew from the meeting at 11:00 A. M. for the purpose of preparing a written proposal.

REQUEST FROM HUGHES TOOL COMPANY FOR SPECIAL STOCKHOLDERS MEETING

The President read to the meeting a letter from Hughes Tool Company, dated December 27, 1946, requesting that a special meeting of stockholders be held on January 4, 1947 in Kansas City for the purpose of changing the date of the annual meeting of stockholders.

At the request of the President, counsel advised that under the By-Laws stockholders had the right to request that a special meeting be held for the purposes specified in the notice. Counsel stated further that the notice in this case could not be complied with strictly because of the rules of the New York Stock Exchange as to the period of notice required before taking a record of stockholders entitled to vote at the meeting and the rules of the Securities and Exchange Commission relating to the solicitation of proxies. It was further pointed out that a serious legal question existed as to whether the terms of the directors could be shortened by changing the date of the annual meeting since under the By-Laws directors are elected for one year. Upon motion duly made, seconded and unanimously carried, the President was authorized to reply to the letter from Hughes Tool Company acquainting it with the facts developed at this meeting and pointing out the inability of the company strictly to comply with the request.

FINANCING OF TACA

Mr. Talman advised that the previous proposal of Hallgarten & Company with respect to the financing of TACA had not met with the approval of the Katernan Steamship Company and a new proposal from Katernan was expected momentarily.

Upon motion duly made, seconded and unanimously carried a committee consisting of Messrs. Pierson, Talbott and Talman was appointed with full authority to negotiate with Katernan Steamship Company and TACA in order to develop a plan of financing for TACA.

The meeting recessed at 12:45 P. M. and reconvened at 3:30 P. M.

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**SUBMISSION OF PROPOSAL OF
HUGHES TOOL COMPANY**

The meeting received a written proposal from the Hughes Tool Company as follows:

"December 27, 1946

"TO THE BOARD OF DIRECTORS
OF TRANSCONTINENTAL & WESTERN AIR, INC.:

"Hughes Tool Company, as the owner of approximately 46% of the capital stock of Transcontinental & Western Air, Inc., makes the following proposal to the Board of Directors of the latter company, contingent upon a final consummation of the present refinancing deal with Equitable Life Assurance Society, with which the Board is familiar, and subject to necessary approval of governmental authority:

"1. Hughes Tool Company will thereupon immediately lend Transcontinental & Western Air, Inc. the sum of \$5,000,000.00 in cash, and on or before June 1, 1947, will lend Transcontinental & Western Air, Inc. an additional sum of \$5,000,000.00 in cash. These loans shall be in the form of demand notes but shall be subordinate as to principal and interest to the Equitable debentures and shall bear the same rate of interest. During the life of the loans, and at any time after such stock is legally authorized to be issued, Hughes Tool Company shall have the option of converting said loans into common stock of the company on the following basis:

"At \$19.00 per share, or, at Hughes Tool Company's option, at a price to be determined by the average of the closing market prices for the ten days preceding the date upon which Hughes Tool Company exercises its election to so convert by written notice to Transcontinental & Western Air, Inc.

"2. Upon final consummation of the present refinancing deal with Equitable Life Assurance Society, and delivery to Transcontinental & Western Air, Inc. of the first \$5,000,000.00 in cash, and in no event later than January 10, 1947, six members of the present eleven directors of Transcontinental & Western Air, Inc. will resign and be replaced by six nominees of Hughes Tool Company, and in the meantime no changes will be made in the by-laws of the company except upon approval of Hughes Tool Company in writing.

Very truly yours,

HUGHES TOOL COMPANY

By **NOAH DIETRICH**
Executive Vice President

Bd. Meeting 12/27/46

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The proposal was discussed and the meeting recessed again at 3:50 P. M. to enable the directors and counsel to study and analyze the proposal.

The meeting reconvened at 5:30 P. M. at which time the Hughes Tool Company proposal was discussed at length and it was agreed that certain objections made the proposal unsatisfactory. Counsel was requested to draft a response to the letter for further consideration by the Board.

The meeting recessed at 5:45 P. M. and reconvened at 9:30 P. M. to consider the draft of the response to the proposal of Hughes Tool Company. Certain changes were made in the draft during the course of discussion.

On motion duly made and seconded, the following letter was thereupon approved for signature by the President and for transmittal to the Hughes Tool Company:

"December 27, 1946

"Hughes Tool Company
Houston
Texas

Attention: Mr. Noah Dietrich
Executive Vice President

Gentlemen:

"Receipt is acknowledged of your communication dated December 27, 1946, in which you made a proposal to the Board of Directors of Transcontinental & Western Air, Inc., with respect to the financing of the company.

"In acting upon any proposal from the Hughes Tool Company as the holder of 46% of the common stock of Transcontinental & Western Air, Inc., you will, of course, agree that the terms must be scrutinized with extreme care so that the Board of Directors may determine whether it is in the best interest of the company and of the other stockholders.

"Accordingly, it is believed that before acting upon your proposal, we should raise question as to certain of its terms, some of which create doubt as to the fairness of the proposal from the standpoint of the other stockholders.

"Among other things, we wish to call your attention to the followings:

- "(1) Your proposal to lend \$5,000,000 to the company immediately and an additional \$5,000,000 on or before June 1, 1947, against the demand notes of the company does not

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provide the working capital required by the company or the financial stability which the company must achieve. Immediately upon issuance of the demand note of the company, it would be within the power of the holder whether Hughes Tool Company, or its transferee, to demand payment thereof thus precipitating the company into a financial crisis resulting either in receivership or a new compromise with Hughes Tool Company, or its transferee.

- "(2) Under your proposal, the second \$5,000,000 presumably need not be made available until June 1, 1947, at the option of Hughes Tool Company. The needs of the company might require the additional funds in advance of that date. Consequently, it is believed that this sum should be made available on the call of the company, and your obligation should be in a form which is legally enforceable.
- "(3) The suggestion of a 4% fixed interest rate seems inconsistent when compared with the same rate for the ten (10) year Equitable debentures on which interest would be payable only if earned during the first four years.
- "(4) The conversion features of your proposal appear to be objectionable from the standpoint of the other stockholders of the company. It is believed that, in addition to the option in Hughes Tool Company to convert the notes into common stock, the company should have the right to require conversion at any time, since it has always been the view of the Board of Directors that the company should finance as much as possible through common stock. The company and the other stockholders should be protected against conversion at low rates when the market is higher. Consequently, the conversion price should not be fixed at \$19 per share, or lower, at the option of Hughes Tool Company, but should be based upon the market at the time of conversion. The average of the closing market prices for the ten days preceding the date upon which conversion is effected might be the desirable solution to this question.
- "(5) While your proposal states that it is contingent upon the final consummation of the present refinancing deal with Equitable, the nature of the transaction as described by you appears to be basically in conflict with the terms acceptable to Equitable as set forth in the memorandum previously delivered to us by Equitable in its letter dated December 17, 1946.

Bd. Meeting 12/27/46

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"Similarly your proposal makes no provision whatever for the \$40,000,000 RFC financing which is available, and which the company requires in order to perform its obligations under its certificates of convenience and necessity issued by the United States Government. The proposal you have made should, therefore, be contingent not only upon consummation of the Equitable refinancing and necessary approval of governmental authority, but also upon the completion of the present financing already arranged with the Reconstruction Finance Corporation.

- "(6) The interest of the Board of Directors is to arrive at the best solution for the benefit of the company and all of its stockholders. Under the present circumstances, the Board is still prevented from concluding other possible avenues for raising funds, because of its inability to sell stock to others. We urge that the Board be freed of this restraint which now exists so that it can fairly weigh your proposal in the light of all other possibilities. Consequently, we hope that there will be no further adjournments in the stockholders' meeting which, as the result of your previous request for adjournment, is now set for 2 P. M., December 28, 1946.

"Before advising of the acceptance or rejection of your proposal as contained in your letter of December 27, 1946, your views on the matters set forth herein would be appreciated.

For the Board of Directors of
Transcontinental & Western Air, Inc.

By Jack Frye,
President"

The meeting adjourned at 10:45 P. M. until 9:30 A. M. Saturday,
December 28, 1946.

E. Lee Talman
E. Lee Talman
Secretary of the meeting

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**MINUTES OF ADJOURNED BOARD OF DIRECTORS' MEETING
TRANSCONTINENTAL & WESTERN AIR, INC.**

December 28, 1946

The special meeting of the Board of Directors of Transcontinental & Western Air, Inc. adjourned on December 27, 1946, convened at 9:30 A. M. Saturday, December 28, 1946, at the offices of the Corporation, 1740 G Street, Washington, D. C., pursuant to action taken at the session of the Board held December 27, 1946.

Directors present were: LaMotte T. Cohn
John A. Collings
Jack Frye
Sidney Maestre
Warren Lee Pierson
Paul E. Richter
Gilbert H. Scribner
Helson S. Talbott

constituting a quorum.

Directors absent were: Powell Grosley, Jr.
E. Lee Talman
T. B. Wilson

Messrs. Gerald B. Brophy and George A. Spater of Counsel were present by invitation.

In the absence of the Chairman of the Board, Mr. Frye presided. In the absence of the Secretary, Mr. Gerald B. Brophy was chosen Secretary of the meeting.

DISCUSSION OF FINANCING PROGRAM

The Board renewed discussions of the previous evening with respect to the proposal of Hughes Tool Company and the response thereto made by the Board.

During the course of the discussion, Mr. Richter and Mr. Spater withdrew from the meeting to attend the adjourned special meeting of stockholders at the office of the Corporation in Wilmington.

**RECEIPT AND DISCUSSION OF RESPONSE FROM
HUGHES TOOL COMPANY**

The response of the Hughes Tool Company to the letter from the Board, delivered to representatives of the Hughes Tool Company last evening, was received and read to the meeting. It is as follows:

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*December 28, 1946

"TO THE BOARD OF DIRECTORS OF
TRANSCONTINENTAL & WESTERN AIR, INC.:

We acknowledge receipt of your letter of December 27 replying to our letter of the same date. Our letter speaks for itself.

We, of course, agree with you that the interest of the company and of all of the other stockholders is of primary concern. We have in the past, and will continue in the future, to act with this view in mind. Other specific replies to your several comments in this regard are deemed unnecessary.

We can answer the questions which you have raised as to terms and conditions of our proposal which you state create doubt as to the fairness of our proposal from the standpoint of other stockholders. The following numbered paragraphs correspond to the numbered paragraphs of your letter of December 27.

(1) Hughes Tool Company does not desire that the notes evidencing either the first \$5,000,000 or any part of the second \$5,000,000 be demand notes. It is agreeable with Hughes Tool Company that any and all of these notes have a maturity date on the date immediately following the maturity of any other indebtednesses to which these loans by Hughes Tool Company are subordinate. We think that this intent is perfectly clear from our original proposal.

(2) Hughes Tool Company has no objection to your request that the second \$5,000,000 be made available when and as needed by you, such need to be determined by the executive committee contemplated by our discussions.

(3) Hughes Tool Company will have no objection to interest rates equal in all respects to the same rate payable on the present Equitable 5-year debentures.

(4) Hughes Tool Company's proposal of a conversion of its loans to common stock of Transcontinental & Western Air, Inc. at \$19.00 per share, or at the option of Hughes Tool Company, on the average market price for the ten days preceding the date on which the election might be made, was based on the fact that the stock on December 27 was selling on the market at from \$20.50 to \$21 per share. The effect of our offer, we thought, was to offer financing to the other stockholders at a price considerably less

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under all of the circumstances than could have been secured from any other known financing source. However, if this provision of our proposal is objectionable to the directors, Hughes Tool Company has no objection to changing the offer to the extent that the stock may be converted at a date elected by Hughes Tool Company with the price based on the average closing market price for the ten days preceding the date upon which the option is exercised by giving notice to your company in writing.

(5) We are not aware of any conflict between our proposal and the contemplated transaction with Equitable Life Assurance Society.

The only material point of difference in the Reconstruction Finance Corporation negotiations involves the voting trust, and we have proposed to the Reconstruction Finance Corporation that in the event their loan is ever in default our nominee will resign in favor of Reconstruction Finance Corporation's nominee. We have diligently endeavored to consummate the Reconstruction Finance Corporation loan and will continue to do so. Any intimation to the contrary is simply not true.

(6) Hughes Tool Company's interest is the same as that of all other stockholders. Our interest goes further than this. It extends to the public. We do not even have one representative on the Board of Directors.

We particularly call attention to the language of your letter in which you state that the stockholders meeting set for December 23 was adjourned at our request. To refresh your recollection, it was adjourned by agreement between us. Provided our proposal is accepted we will attend the meeting and vote to increase the authorized capital stock to 3,000,000 shares.

The effect of our offer is to inject \$10,000,000 junior money into the picture to keep the doors of Transcontinental & Western Air, Inc. open and to permit further adequate financing.

Very truly yours,

HUGHES TOOL COMPANY

By NOAH DISTRICH
Executive Vice President

It was the opinion of the Board that the letter, in general, satisfied most of the questions raised by the Board in its response to the original proposal of the Hughes Tool Company dated December 27, 1946. It was felt, however, that upon certain of the points, further discussion should be had

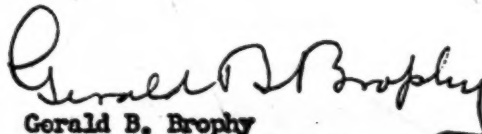
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based upon a draft which would be prepared by Counsel for the Corporation and that it would be advisable to adjourn the meeting until Monday, December 30, 1946, at 2:00 P. M. at the office of the Corporation in the Airlines Terminal Building, New York, New York, at which time it was hoped that representatives of the Equitable Life Assurance Society, Mr. Chauncey Dodds of the Reconstruction Finance Corporation, and Mr. James E. Landis, Chairman of the Civil Aeronautics Board, and representatives of the Hughes Tool Company might be present and discuss the whole program with the Board.

Upon being advised that this program was agreeable to the representatives of the Hughes Tool Company, the meeting was adjourned to the time and place above specified.


Gerald B. Brophy
Secretary of the Meeting

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**MINUTES OF ADJOURNED BOARD OF DIRECTORS' MEETING
TRANSCONTINENTAL & WESTERN AIR, INC.**

January 9, 1947

The special meeting of the Board of Directors of Transcontinental & Western Air, Inc. adjourned on January 8, 1947, convened at 3:00 P. M., Thursday, January 9, 1947, at the offices of the Corporation, Airlines Terminal Building, New York, New York, pursuant to action taken at the session of the Board held January 8, 1947.

Directors present were: Lallotte T. Cohn
Jack Frye
Sidney Maestre
Warren Lee Pierson
Paul E. Richter
Gilbert H. Scribner
Nelson S. Talbott

constituting a quorum.

Directors absent were: John A. Collings
Powel Crosley, Jr.
E. Lee Talman
T. B. Wilson

Mr. Gerald B. Brophy of Counsel was present by invitation.

In the absence of the Chairman of the Board, Mr. Frye presided.

In the absence of the Secretary, Mr. Gerald B. Brophy was chosen Secretary of the Meeting.

**CONTRACT WITH CIVIL AERONAUTICS BOARD
FOR OPERATION OF NAVIGATION AND
COMMUNICATIONS FACILITIES, HASSANI AIRPORT, ATHENS**

The Executive Vice President advised that the air navigation and airways communications facilities at Hassani Airport in Athens are now being operated by TWA at its own expense. A contract has been negotiated under which TWA will continue the operation for the account of the Civil Aeronautics Administration and for this service, TWA will be paid a fixed fee of \$9,000 per month, plus certain expenses for necessary spare parts, for a period from the execution of the agreement to June 30, 1947. The contract contains other clauses required in agreements with government agencies.

Upon motion duly made, seconded and carried, the execution of the contract, upon the terms outlined, was approved.

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thereon, in such manner as Waterman Airlines, Inc., may from time to time direct, and to provide further that this Corporation execute and deliver to Waterman Airlines, Inc., irrevocable proxies in a form to be annexed to said agreement, said agreement to contain such other terms and provisions as said officers shall deem necessary or appropriate;

- 6) to execute and deliver an instrument terminating the agreement dated December 13, 1945, between this Corporation and Lowell Yorex and cancelling and terminating all rights, interests, and privileges of this Corporation, created by said agreement of December 13, 1945, in, to, or concerning the 125,000 shares of stock of TACA Airways, S. A., which are the subject of said earlier agreement, and to join with Lowell Yorex in executing and delivering appropriate notification and instructions to The National City Bank of New York, Panama branch;
- 7) to pay or cause to be paid all stock transfer taxes imposed, upon the delivery thereof to the optionees named therein, on the options to be deposited with The Commercial National Bank and Trust Company of New York as hereinabove provided;
- 8) to apply to The Equitable Life Assurance Society of the United States for its consent, as holder of the debentures of this Corporation issued and outstanding under its Indenture dated as of December 1, 1945, as heretofore amended, to the consummation by this Corporation of the transactions hereinabove authorized, and to file such consent with the trustee under the aforesaid Indenture and to deliver a duplicate original thereof to Waterman Airlines, Inc.; and
- 9) to do or cause to be done all such other actions and things as said officers shall deem necessary or appropriate to carry out the intention of this resolution.

PROPOSAL OF HUGHES TOOL COMPANY

The meeting then proceeded with further discussion of the proposal of Hughes Tool Company contained in the letter dated January 8, 1947, presented to the meeting of the Board held on that date.

The Board reviewed the present financial condition of the Corporation including the cash forecast for the balance of January as augmented by the

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anticipated refund of \$2,500,000 expected to be received from the government before the end of the month as a tax refund on prior years resulting from losses sustained by the Corporation during the year 1946. The Board also reviewed the many attempts to finance during the past year and the likelihood that the funds proposed to be loaned by the Hughes Tool Company would be the only funds immediately available to the Corporation to carry on operations. It was felt that before acting upon any motion to accept the proposal of the Hughes Tool Company, some indication should be received from Hughes Tool Company, which, under the proposal would obtain control of the Board of Directors, as to its intentions with regard to the status of Mr. Frye, General Wilson, and Mr. Richter as well as certain other executives of the Corporation whose retention was considered by the Board as essential to the Corporation.

At this point, letters were received by each of the Directors, by hand delivery, from Mr. T. I. Parkinson, President of Equitable Life Assurance Society of the United States, reading as follows:

"January 9, 1947

"To the Board of Directors of
Transcontinental & Western Air, Inc.,
and Mr. Howard Hughes,
Airlines Terminal Building,
80 East 42nd Street,
New York, N. Y.

Gentlemen:

In view of certain statements which have appeared in the press within the last few days regarding the financial plans of TWA, and the Equitable's status as a holder of \$40,000,000 in principal amount of your Company's bonds, we wish to advise you as follows:

First, that no application is now pending with the Equitable for a further loan to your Company, and if such an application were made, it would have to be declined.

Second, in view of what we understand as to your Company's present financial condition, it seems to us that you are subjecting the interests of your stockholders and creditors to serious risk in continuing to preserve a situation which results in the Company's being unable to obtain the additional funds which it needs promptly in order to carry on operations. So far as our holding of bonds is concerned, we intend to hold those responsible strictly accountable for any loss which may arise from this continued inaction.

Yours very truly,

(Sgd.)

Thomas I. Parkinson

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The members of the Board expressed indignation over the contents of the letter from Mr. Parkinson. It was emphasized that every decision before the Board during this period had been weighed so as to afford the best possible protection to the creditors including Equitable Life Assurance Society as the principal creditor and all of the stockholders and with a view to discharging the responsibilities of the Corporation to the United States Government. It was recalled to the meeting that Equitable Life Assurance Society had been kept informed of developments continually and that the Corporation had been assured in three meetings with Mr. Parkinson that Equitable Life Assurance Society was in accord with the policies of the Corporation. Resentment was expressed by the Board over the change in position by Equitable without prior notice to the Board.

Counsel for the Corporation was requested to study the matter and advise to any further steps which should be taken.

Word was received that Mr. Hughes would like to enter the meeting for a discussion with the Directors not associated with the management of the Corporation. Accordingly, Messrs. Frye, Richter and Brophy withdrew and Mr. Hughes entered the meeting.

The meeting with Mr. Hughes covered mainly the problems relating to the status of the executives of the Corporation as discussed by the Board prior to the entry of Mr. Hughes in the meeting. Mr. Hughes advised that he did not wish to seek the resignation of any present members of the Board of Directors at this time but merely desired to have representatives of Hughes Tool Company added to the Board and that he had no present intention of disturbing the executives of the Corporation whose status was of concern to the Board.

After these discussions, Mr. Hughes withdrew from the meeting and was joined by a committee consisting of Mr. Cohn, Mr. Scribner, and Mr. Talbott to discuss specific arrangements with Mr. Frye, General Wilson and Mr. Richter in the event that the proposal of the Hughes Tool Company is accepted by the Board.

Messrs. Frye, Richter and Brophy reentered the meeting.

Messrs. Cohn, Scribner, and Talbott thereafter returned to the meeting and reported that Mr. Hughes had stated that he desired that Mr. Frye, General Wilson and Mr. Richter remain in the service of the Corporation in any capacity that might be agreed upon at least until the annual meeting of the stockholders at which time a new Board of Directors would be elected and that thereafter if they should leave the service of the Corporation by their own volition or at the request of the Corporation on or before July 1, 1947, they would receive twelve months' salary at their present rate of compensation from the date of termination of service.

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It was the view of the Board that a formal commitment should be made to Mr. Frye, General Wilson and Mr. Richter as a result of this agreement so that this arrangement may form a part of their employment agreement with the Corporation.

Upon motion duly made, seconded and unanimously carried, the following resolutions were adopted, Mr. Frye and Mr. Richter not voting:

RESOLVED, that in consideration of the agreement of Paul E. Richter to remain in the employment of the Corporation until April 24, 1947, the date of the next Annual Meeting of Stockholders, in whatever executive or advisory capacity the Board of Directors of the Corporation may determine, this Corporation agrees that, in the event that he should leave the service of the Corporation after April 24, 1947 and on or before July 1, 1947 by his own volition or at the request of the Corporation, he shall receive a sum equal to twelve months' salary, from the date of termination of service, at his annual rate of compensation as of the present date, and that such amounts shall be payable in full upon the termination of service; and

FURTHER RESOLVED, that the proper officers of the Corporation are hereby authorized and directed to take such steps as may be necessary in order to give effect to the foregoing resolution.

Mr. Richter advised the Board that he accepted the action of the Board recorded in the foregoing resolutions.

Upon motion duly made, seconded and unanimously carried, the following resolutions were adopted, Mr. Frye and Mr. Richter not voting:

RESOLVED, that in consideration of the agreement of Jack Frye to remain in the employment of the Corporation until April 24, 1947, the date of the next Annual Meeting of Stockholders, in whatever executive or advisory capacity the Board of Directors of the Corporation may determine, this Corporation agrees that, in the event that he should leave the service of the Corporation after April 24, 1947 and on or before July 1, 1947 by his own volition or at the request of the Corporation, he shall receive a sum equal to twelve months' salary, from the date of termination of service, at his annual rate of compensation as of the present date, and that such amounts shall be payable in full upon the termination of service; and

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FURTHER RESOLVED, that the proper officers of the Corporation are hereby authorized and directed to take such steps as may be necessary in order to give effect to the foregoing resolution.

Mr. Frye advised the Board that he accepted the action of the Board recorded in the foregoing resolutions.

Upon motion duly made, seconded and unanimously carried, the following resolutions were adopted, Mr. Frye and Mr. Richter not voting:

RESOLVED, that in consideration of the agreement of Thomas B. Wilson to remain in the employment of the Corporation until April 24, 1947, the date of the next Annual Meeting of Stockholders, in whatever executive or advisory capacity the Board of Directors of the Corporation may determine, this Corporation agrees that, in the event that he should leave the service of the Corporation after April 24, 1947 and on or before July 1, 1947 by his own volition or at the request of the Corporation, he shall receive a sum equal to twelve months' salary, from the date of termination of service, at his annual rate of compensation as of the present date, and that such amounts shall be payable in full upon the termination of service; and

FURTHER RESOLVED, that the proper officers of the Corporation are hereby authorized and directed to take such steps as may be necessary in order to give effect to the foregoing resolution.

Mr. Frye advised that he had been in telephone communication with General Wilson who authorized him to notify the Board that he accepted the action so taken.

The meeting then proceeded to vote upon the proposal of Hughes Tool Company contained in the letter dated January 8, 1947 and presented to the meeting held on that date.

Upon motion duly made, seconded and unanimously carried, the following resolutions were adopted:

RESOLVED, that the proposal of Hughes Tool Company embodied in a letter dated January 8, 1947, from Hughes Tool Company to this Board which, among other things, contemplates the borrowing by this Corporation from Hughes Tool Company of \$10,000,000 to be evidenced by this Corporation's notes bearing interest at the rate of 2-3/4%

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convertible into the common stock of this Corporation upon the terms set forth therein, the modification of the terms of this Corporation's Sinking Fund Debentures held by the Equitable Life Assurance Society of the United States and of the terms of the Indenture pursuant to which said Debentures were issued and terms otherwise set forth in said letter, be and it hereby is accepted, subject to approval by the Civil Aeronautics Board under the terms of the order of the Civil Aeronautics Board approving control of this Corporation by Hughes Tool Company, and the President of this Corporation be, and he hereby is, authorized and directed to signify the acceptance of the proposal of Hughes Tool Company by this Corporation by noting such acceptance upon the original and duplicate original of the proposal of the Hughes Tool Company and by affixing his signature thereto on behalf of this Corporation as President thereof; and

FURTHER RESOLVED, that the President or any Vice President and the Secretary or any Assistant Secretary of this Corporation be, and they hereby are, authorized and directed to execute and deliver, on behalf of this Corporation, any and all agreements which may be necessary or advisable with Hughes Tool Company, the Equitable Life Assurance Society of the United States, and the Trustee under the Indenture covering the Sinking Fund Debentures held by the Equitable Life Assurance Society of the United States and any other agreements which may be necessary or advisable in order to give effect to the terms of the agreement with Hughes Tool Company as evidenced by said letter dated January 8, 1947, from Hughes Tool Company to the Board of Directors of this Corporation and accepted by the foregoing resolution; and

FURTHER RESOLVED, that in the event that the Agreement and Act of Consolidation, forming the charter of this Corporation, is amended so as to increase the authorized shares of common stock from 1,000,000 to 3,000,000 shares as proposed to be voted upon at the adjourned special meeting of stockholders of the Corporation to be held on January 13, 1947, 2,000,000 of the authorized but unissued shares of the common stock of this Corporation resulting therefrom, being the maximum number of such shares available for the purpose, be reserved for issuance upon the conversion of the 2-3/4% notes of the Corporation to be issued to Hughes Tool Company as contemplated by said agreement dated January 8, 1947; and

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FURTHER RESOLVED, that the officers of this Corporation be, and they hereby are, authorized and directed to do and perform all such acts and things and to sign all such documents and certificates and to take all such other steps as may be necessary or advisable or convenient and proper to carry out the intent of the foregoing resolutions and the provisions of said agreement between Hughes Tool Company and the Corporation as evidenced by said letter from Hughes Tool Company dated January 8, 1947, and accepted as authorized by the foregoing resolutions.

REQUEST OF HUGHES TOOL COMPANY
FOR STOCKHOLDERS MEETING

The President stated that he had been informed by the representatives of Hughes Tool Company that the letter to the Corporation dated January 4, 1947, requesting a special meeting of stockholders be held February 5, 1947, had been withdrawn and no further action is required to be taken with respect thereto.

At this point, Messrs. Pierson and Liestre withdrew from the meeting.

AMENDMENT OF BY-LAWS TO
INCREASE BOARD OF DIRECTORS

The President suggested to the meeting that it might be considered desirable while awaiting approval by the Civil Aeronautics Board of the loan from Hughes Tool Company to the Corporation contemplated by the agreement approved at this meeting, to reconstitute the Board of Directors at this meeting so as to provide that a majority of the Board would be nominees of Hughes Tool Company. The suggestion was favorably received by the directors present.

On motion duly made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED, that, effective upon the conclusion of this meeting, Section 1 of Article III of the By-Laws of the Corporation be amended to increase the number of members of the Board from Eleven (11) to Twenty-Four (24) directors, so that said Section as amended shall read as follows:

"Section 1. Number and Term of Office. The business and the property of the Corporation shall be managed and controlled by a board of twenty-four (24) directors. The directors shall be elected by ballot by plurality vote of the stockholders at the annual meetings of stockholders, and each director shall be elected to serve for the term of one year

TRANSCONTINENTAL & WESTERN AIR, INC.

Special Meeting of Stockholders of December 23, 1946

Adjournment of January 13, 1947

A special meeting of stockholders of TRANSCONTINENTAL & WESTERN AIR, INC., a Delaware corporation, held pursuant to the notice of such meeting at the offices of the Corporation, 100 West 10th Street, Wilmington, Delaware, on Monday, December 23, 1946, at 10:00 o'clock in the forenoon and duly adjourned successively was duly reconvened pursuant to such adjournments at the same place on Monday, January 13, 1947, at 2:00 o'clock in the afternoon.

In the absence of the President, Mr. H. B. Miller, Vice President of the Corporation, called the meeting to order stating that Mr. Nugent, the Chairman appointed to preside at the last adjournment, was present but preferred not to act and that another be chosen to act as Chairman, and requested the appointment of a stockholder to act as Chairman. Upon motion duly adopted, Mr. Miller was appointed Chairman of the meeting and thereafter presided.

The Chairman stated that Mr. Burgess, previously appointed Secretary of the meeting, would act as Secretary of the meeting. Mr. Burgess thereupon acted as Secretary of the meeting and kept the records of the proceedings.

The Chairman stated that there had been presented to the meeting on December 23, 1946 a list of the stockholders of the Corporation of record at the close of business.

(Minutes-Adjourned Special TWA Stockholders Meeting, Jan. 13, 1947)

venember 22, 1946, the record date fixed by the Board of Directors of the Corporation for the determination of stockholders of the Corporation entitled to notice of and to vote at the meeting, which list contained the names and addresses of the holders of Common Stock of the Corporation and the number of shares held by them respectively, prepared and certified by Mr. C. W. Herre, an Assistant Secretary of the Corporation, and that such list was available for examination by any stockholder present. From such list, it appeared that there were outstanding on such record date and entitled to vote on all matters to come before the meeting 985,929 shares of Common Stock of the Corporation. The Secretary then ascertained the stockholders present in person or by proxy and the number of shares of Common Stock represented by each and reported that there were present in person or by proxy, the holders of the following number of shares of Common Stock of the Corporation entitled to vote at the meetings:

NO. OF SHARES

Present in person

None

Represented by proxy to Thomas B. Wilson, Jack Frye and Paul E. Richter, and each of them; H. B. Miller as substitute proxy for Jack Frye and Orvis Scervine as substitute proxy for Paul E. Richter being present at the meeting.

231,580

Represented by proxy to William Nugent; William Nugent being present at the meeting.

3,781

Represented by proxy to Carter

100

L. Burgess; Carter L. Burgess

Represented by proxy to Francis J.
O'Hara, Jr.; Francis J. O'Hara, Jr.
being present at the meeting.

435,050

Total present in person
or represented by
proxy

670,511

The Chairman then stated that the purpose of the meeting was to consider and vote upon an amendment to the Agreement and Act of Consolidation of the Corporation and that Messrs. L. H. Herman and L. E. Gray had on December 23rd been appointed as Judges for the purpose of conducting the vote to be taken for and against the proposed amendment and suggested that the meeting confirm the appointment of these men as such Judges. Thereupon, on motion duly made, seconded and unanimously adopted, the appointment of Messrs. L. H. Herman and L. E. Gray as the two Judges to conduct the vote for and against the proposed amendment was confirmed.

At the request of the Chairman such Judges again took and subscribed an oath faithfully to execute the duties of Judges to conduct the vote of stockholders to be taken for and against the proposed amendment to the Agreement and Act of Consolidation, with strict impartiality and according to the best of their abilities and to make a true certificate of the result of such vote. The Chairman ordered the oaths filed with the record of the meeting.

Proxies presented to the meeting were then deliv

to the Judges who examined same and took the roll of those present in person and, after examination of the certified list of stockholders previously presented, executed their written report which stated that there were present in person or represented by proxy 670,511 shares of Common Stock of the Corporation entitled to vote at the meeting, constituting more than a majority of the shares of such stock issued and outstanding and entitled to vote at said meeting.

The Secretary of the meeting then read the report of the Judges and on motion, duly made, seconded and carried, it was ordered filed with the records of the meeting. The Chairman then announced that due notice of the meeting had been given and the holders of more than a majority of all the issued and outstanding Common Stock of the Corporation entitled to vote at the meeting being present in person or by proxy and constituting a quorum, the Special Meeting of Stockholders was duly convened and would proceed to consider the matters to come before it. He stated that the purpose of this meeting, as stated in the notice thereof, was to consider and vote upon a proposal recommended and declared advisable by the Board of Directors, to amend the first paragraph of Article IV of the Agreement and Act of Consolidation of the Corporation, so as to increase from 1,000,000 to 3,000,000 the total number of shares of authorized Common Stock. It was then moved and seconded that the following resolution be adopted:

RESOLVED, that the first paragraph of Article IV of the Agreement and Act of Consolidation, constituting the Certificate of Incorporation, of this Corporation now reading as follows:

Article IV. The total number of shares of stock which the Company shall have authority to issue is one million (1,000,000), all of which shall be Common Stock and shall have a par value of Five Dollars (\$5.00) a share, amounting in the aggregate to Five Million Dollars (\$5,000,000).

be amended so that, as amended, the first paragraph of such Article IV shall read as follows:

Article IV. The total number of shares of stock which the Company shall have authority to issue is three million (3,000,000), all of which shall be Common Stock and shall have a par value of Five Dollars (\$5) a share, amounting in the aggregate to Fifteen Million Dollars (\$15,000,000).

the remainder of such Article IV, other than the first paragraph thereof, to be unchanged by such amendment.

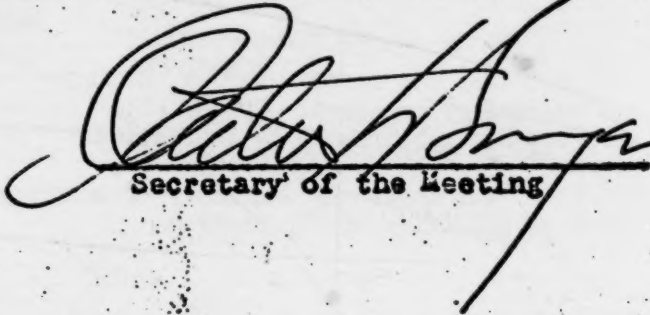
The Chairman announced that, pursuant to the Agreement and Act of Consolidation and the By-laws of the Corporation, each share of stock was entitled to one vote on the said resolution.

The Judges thereupon took charge of the polls and, all stockholders and proxies present having cast their ballots the Chairman declared the polls closed and the Judges having canvassed the votes cast, submitted their certificate of the result of the vote taken on the resolution.

The Chairman announced that, according to the Certi-

ificate of the Judges, 655,803 shares had been voted in favor of the resolution amending the first paragraph of Article IV of the Agreement and Act of Consolidation of the Corporation, so as to increase from 1,000,000 to 3,000,000 the total number of shares of authorized Common Stock, and 14,708 shares had been voted against the resolution and that, accordingly, such resolution, and the amendment set forth in the resolution, having received the favorable vote of the holders of more than a majority of the outstanding stock of the Corporation, had been duly adopted.

There being no further business presented, upon motion duly made, seconded and unanimously carried, the meeting was adjourned.



Secretary of the Meeting

| W H

**MINUTES OF THE BOARD OF DIRECTORS MEETING
TRANSCONTINENTAL & WESTERN AIR, INC.****June 15, 1948**

The special meeting of the Board of Directors of Transcontinental & Western Air, Inc. called to be held at 10:00 A. M., Tuesday, June 15, 1948, at the offices of the Corporation, 101 West 11th Street, Kansas City, Missouri, pursuant to notice dated June 11, 1948, convened at 10:00 A. M.

Directors present were: Messrs. John A. Collings
A. B. Eisenhower
A. V. Leslie
Warren Lee Pierson
Sidney Maestre

not constituting a quorum.

Directors absent were: Messrs. Palmer Bradley
Powel Crosley, Jr.
Noah Dietrich
Oscar Holcombe
Thomas W. Pew
A. D. Simpson
H. S. Talbott
Lloyd Wright

Mr. Warren Lee Pierson, Chairman, called the meeting to order and thereafter presided. Mr. E. Wiley Barker, Assistant Secretary of the Corporation, was present by invitation.

The Assistant Secretary of the Corporation, Mr. E. Wiley Barker, acted as Secretary of the meeting.

Mr. Warren Lee Pierson stated that no business could be transacted, due to a lack of a quorum, and advised that a quorum could not be obtained until after 11:00 A. M., Tuesday, June 15, 1948.

Accordingly, upon motion duly made, seconded and carried, the meeting adjourned until Tuesday, June 15, 1948, at 11:15 A. M., at the offices of the Corporation, 101 West 11th Street, Kansas City, Missouri.

E. Wiley Barker
E. Wiley Barker
Acting Secretary

MINUTES OF THE ADJOURNED BOARD OF DIRECTORS MEETING
TRANSCONTINENTAL & WESTERN AIR, INC.

June 15, 1948

The special meeting of the Board of Directors of Transcontinental & Western Air, Inc., adjourned at 10:00 A. M. on June 15, 1948, convened at 11:15 A. M., Tuesday, June 15, 1948, at the offices of the Corporation, 101 West 11th Street, Kansas City, Missouri, pursuant to action taken at the session of the Board held at 10:00 A. M., June 15, 1948.

Directors present were: Messrs. John A. Collings
A. B. Eisenhower
Oscar Holcombe
A. V. Leslie
Sidney Maestre
Warren Lee Pierson
A. D. Simpson
N. S. Talbott

constituting a quorum.

Directors absent were: Messrs. Palmer Bradley
Powel Crosley, Jr.
Noah Dietrich
Thomas W. Few
Lloyd Wright

Mr. Warren Lee Pierson, Chairman, called the meeting to order and thereafter presided. Mr. E. Wiley Barker, Assistant Secretary of the Corporation, was present by invitation.

The Assistant Secretary of the Corporation, Mr. E. Wiley Barker, acted as Secretary of the meeting.

RESOLUTION ON DEATH OF THE
SON OF MR. POWEL CROSLY, JR.

The meeting was advised of the death on June 14, 1948, of the son of Mr. Powel Crosley, Jr.

Thereupon, on motion duly made, seconded and unanimously carried, the members of the Board of Directors authorized and requested the Chairman of the Board to express to Mr. Powel Crosley, Jr., their profound sorrow at the passing of his son and to extend to him and his family their deepest sympathy.

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**RESIGNATION OF MR. OTIS F. BRYAN
AS VICE PRESIDENT**

There was presented to the meeting a letter dated June 10, 1948, from Mr. Otis F. Bryan submitting his resignation as Vice President.

Upon motion duly made, seconded and carried, it was

RESOLVED, that the resignation of Mr. Otis F. Bryan as Vice President of this Corporation, effective June 15, 1948, be, and it hereby is, accepted with regret; and further

RESOLVED, that the Chairman of the Board be, and he hereby is, authorized and directed to advise Mr. Otis F. Bryan by letter of the Board's deep regret at his decision to resign and expressing in appropriate terms their appreciation for the many services which he so ably rendered while Vice President of this Corporation.

The following recommendations were then presented to the meeting by Mr. Warren Lee Pierson on behalf of the committee, consisting of Messrs. John A. Collings, A. V. Leslie, Warren Lee Pierson, and N. S. Talbott, which was appointed at the meeting of the Board on May 28, 1948, to consider the questions involved:

- (a) The Board should not authorize the granting to Mr. Otis F. Bryan of an option to purchase this Corporation's stockholdings in Philippine Airlines, Inc.;
- (b) On the basis of a commitment made by Mr. LaMotte T. Cohn while President of this Corporation, the Board should authorize payment to Mr. Otis F. Bryan of Separation Pay in the amount of one year's salary.

The recommendations of the committee were discussed at length, and it was the consensus of the Board that an option to purchase this Corporation's stock in Philippine Airlines, Inc. should not be granted to Mr. Otis F. Bryan, but that in view of Mr. Cohn's commitment to Mr. Bryan, Separation Pay in the amount of one year's salary should be paid to him. Thereupon, the Vice President and Treasurer was directed to take the necessary steps to effect payment to Mr. Otis F. Bryan of Separation Pay in the amount of one year's salary.

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EXCHANGE OF TACA STOCK FOR DEBENTURES

The meeting was advised that the Maternan Steamship Company had asserted that unless it could secure a substantial equity position in TACA Airways, S. A., without further cost, it would discontinue its efforts to put TACA on a paying basis by investing money in it, and that Maternan had proposed that this Corporation exchange its stock in TACA for a new class of non-convertible debentures to be issued by TACA, such exchange to be made on the basis of one share of stock for \$1 of principal amount of debenture.

The matter was discussed at length and it was the consensus of the meeting that Maternan's proposal should not be accepted, but the matter was referred to the Executive Committee for further consideration and final decision.

At this point, Mr. Noah Dietrich, Executive Vice President of Hughes Tool Company, and Mr. Tom Slack, attorney, entered the meeting.

MODIFICATION OF CONVERSION TERMS OF
SUBORDINATED CONVERTIBLE 2-3/4% NOTES
AND INCREASE OF AUTHORIZED SHARES OF
COMMON STOCK

The Chairman stated that this meeting had been called to discuss the convertible debentures of TWA held by Hughes Tool Company which were issued last year to cover the loan of \$10,000,000 which Hughes Tool Company made TWA. He said that Mr. Dietrich was present at the meeting at this time, not in his capacity as a director of TWA, but as Executive Vice President of Hughes Tool Company and that he thought it best for Mr. Dietrich to express his views on the outstanding debentures and the bearing which they have on the future financial problems of TWA.

Mr. Dietrich then read the following statements:

"It is my understanding that this meeting has been called to discuss the convertible debentures of TWA, which were executed and delivered to Hughes Tool Company pursuant to the \$10,000,000 loan to TWA early last year. There has recently been considerable discussion among the members of the Executive Committee and also between myself and other members of the Board concerning the possibility of retiring the debentures. I think each of you is fully familiar with the situation and knows of the various instances in which it has been apparent that TWA would have been benefited by a previous retirement of the debentures.

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"It is not my purpose to sit in this meeting today in my capacity as a Director of this Corporation. On the contrary, I wish everyone to know that I am here on request of the Chairman to state the position of Hughes Tool Company with respect to these debentures. Pursuant to informal discussions heretofore had, I have caused the controlling officials of Hughes Tool Company and particularly Howard Hughes to consider the matter of these debentures from the standpoint of what Hughes Tool Company would be willing to do to hasten their retirement. It is my sole purpose to inform you of the attitude of Hughes Tool Company, and to give you such explanation of this attitude as I hope will cause you to understand its basis.

"I am sure each of you is fully familiar with the financial situation of this company and with the various facts which have led Howard Hughes and myself to believe there is no logical rationalization of the quotations from the New York Stock Exchange on this company's stock. When the \$10,000,000 loan was made from Hughes Tool Company to this company last year, it was at a time of immediately impending crisis. Although it was generally recognized that it was the desire and purpose of Hughes Tool Company to contribute to the capital of TWA and to receive stock representing such contribution, there was little time in which to work out an equitable basis for determining the price or value at which such stock should be taken. The formula set forth in the debentures whereby Hughes Tool Company was given the option to convert on the basis of New York Stock Exchange quotations seemed to be the best of those suggestions which were forthcoming at that time.

"I do not seek in any way to avoid the full force and effect of the agreement which Hughes Tool Company entered into at that time. It is perfectly willing to stand upon that agreement in all respects. It is not willing, however, to convert the obligations which it holds into stock in TWA at the prices presently being quoted on the New York Stock Exchange, or at any figure near such prices.

"I do not hesitate to state my own opinion, which I have freely expressed to Howard Hughes, that from any conceivable standpoint it is impossible logically to appraise this company as having a net value to the holders of its equities in excess of from one to two dollars per share. I do not believe there is a man present who would pay \$5 per share of his own funds for the present common stock of TWA if he would be required to keep such stock indefinitely. There is no reason to elaborate upon this phase of the matter. I say these things merely by way of explanation of the appraisal which we as officers and directors of Hughes Tool Company make of this situation.

"Less than a year and a half ago, Hughes Tool Company advanced \$10,000,000 to TWA when it was on the verge of financial collapse and when

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it could not have obtained a similar loan from any other source. To be of assistance to TWA in its equipment purchasing program, Hughes Tool Company waived its right to insist upon repayment of that loan in money. The officials of Hughes Tool Company desire always to be of assistance to TWA, but they are not presently willing and do not feel that Hughes Tool Company should be asked to make any further concessions with respect to its position unless there is a corresponding concession from this company which will cause the final result to be something approaching fairness to all parties concerned.

"If it is the desire of the Directors of TWA that the debentures be converted into stock forthwith, then I recommend that you authorize such conversion on the basis of the par value of the stock, or \$5 per share."

"If you are unwilling to agree to conversion at that figure, but desire to encourage conversion, then I propose by way of suggestion that you offer Hughes Tool Company the right to convert all the debentures held by it into common stock at a price which will be equal to \$5 per share less than the closing price on the New York Stock Exchange on the day upon which notice of intention to convert may be given to you by Hughes Tool Company. I do not say positively that such proposition would be accepted by Hughes Tool Company. I do say that I think it is reasonably certain that it would be accepted, and I suggest that if you decide to make such a proposal, you permit it to remain open for sixty days to give the stockholders an opportunity to approve it.

"I will be happy to answer any questions which anyone may have to propound to me, and after that I ask your permission to retire from this meeting, because on this matter I am dealing with TWA at arm's length and solely in my capacity as Executive Vice President of Hughes Tool Company. Because of my relationship to TWA, I do not believe I should sit in on any discussion by the Board of Directors of the merits of this matter."

At this point Mr. Dietrich and Mr. Slack withdrew from the meeting.

The Directors considered the proposal at length and discussed many alternatives. It was the consensus of the meeting that his recommendations should not be carried out but that an offer to convert on some other basis should be made to Hughes Tool Company.

The meeting recessed at 1:05 P. M. for lunch and reconvened at 2:20 P. M.

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The members of the Board present at the meeting agreed that the immediate conversion of the debentures into common stock was to the advantage of the company but that it would be more desirable from the standpoint of the company to agree upon a fixed price for conversion rather than one subject to market fluctuations during the time necessary for holding a stockholders meeting in order to consider and take action on the proposal. It was felt also that in submitting the plan to the stockholders it would be desirable to propose an amendment to the Agreement and Act of Consolidation, constituting the Certificate of Incorporation of the company, so as to increase the authorized shares of common stock from 3,000,000 to 4,000,000 shares.

After further discussion and on motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that this Board of Directors hereby proposes, declares advisable and recommends to the stockholders the amendment of the Agreement and Act of Consolidation, constituting the Certificate of Incorporation, of this Company to effect the increase from 3,000,000 to 4,000,000 in the total number of shares of stock which the Company shall have authority to issue, without change in the par value of the authorized shares of this Company; and, for this purpose, that the first paragraph of Article IV of the Agreement and Act of Consolidation, constituting the Certificate of Incorporation, of this Company now reading as follows:

"Article IV. The total number of shares of stock which the Company shall have authority to issue is three million (3,000,000), all of which shall be Common Stock and shall have a par value of Five Dollars (\$5.00) a share, amounting in the aggregate to Fifteen Million Dollars (\$15,000,000)."

be amended so that, as amended, the first paragraph of such Article IV shall read as follows:

"Article IV. The total number of shares of stock which the Company shall have authority to issue is four million (4,000,000), all of which shall be Common Stock and shall have a par value of Five Dollars (\$5.00) a share, amounting in the aggregate to Twenty Million Dollars (\$20,000,000)."

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the remainder of such Article IV, other than the first paragraph thereof, to be unchanged by such amendment; and that a special meeting of the stockholders entitled to vote in respect thereof be, and it hereby is, called to be held at the office of the Company, No. 101 West 11th Street, Kansas City, Missouri at 10 o'clock in the forenoon, Central Standard Time, on August 10, 1948, for the consideration of such amendment, and such other matters as may properly come before the meeting.

On motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Chairman of the Board of this Company be, and he hereby is, authorized and directed, on behalf of this Company, to offer to Hughes Tool Company the right to convert the Subordinated Convertible 2-3/4% Notes of this Company, in the aggregate principal amount of \$10,000,000, heretofore issued to Hughes Tool Company, plus accumulated interest thereon to the close of business Friday, June 18, 1948, of \$344,239.75, into shares of this Company's common stock having a par value of \$5.00 per share at a price of \$10.00 per share, such offer to be open for acceptance until 12 o'clock noon, Central Standard Time, Friday, June 18, 1948, and such offer to be subject to and contingent upon:

1. Execution of such agreements with, or the securing of such consents from, the parties to the Agreement of March 25, 1948, between the Company, Hughes Tool Company, various Lending Banks referred to therein, Wright Aeronautical Corporation, Curtiss-Wright Corporation, Lockheed Aircraft Corporation and Bankers Trust Company and any other parties with whom this Company has financial arrangements, as the proper officers of this Company, with the advice of counsel, deem necessary or advisable, and

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2. Approval by the holders of a majority of the common stock (exclusive of the stock of Hughes Tool Company) present in person or represented by proxy at the special meeting of the stockholders of this Company to be called for the purpose of considering such offer.

and that in the event this offer shall be accepted it shall be submitted to such stockholders for approval at the meeting of stockholders called to be held on August 10, 1948, for the purpose of acting on the proposal to increase the authorized shares of common stock of the Company in accordance with the foregoing resolution.

On motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the close of business on June 30, 1948, be, and it hereby is, fixed as the record date for the determination of stockholders entitled to notice of, and to vote at, the special meeting of stockholders of this Company called to be held at 10 o'clock in the forenoon, Central Standard Time, on August 10, 1948, including any and all adjournments of such meeting; and further

RESOLVED, that the Secretary or other proper officer of this Company be, and he hereby is, authorized and directed to prepare with the advice of counsel and cause to be filed with the Securities and Exchange Commission preliminary forms of notice of special meeting of stockholders called to be held August 10, 1948, proxy and proxy statement with respect thereto; that the Secretary or other proper officer be, and he hereby is, authorized with the advice of counsel to make such changes in the forms of notice of meeting, proxy statement and proxy as may be considered desirable to conform to any suggestions made by the Securities and Exchange Commission or otherwise, and thereafter to cause notice of such stockholders meeting, proxy statement and form of proxy to be mailed to the stockholders of this Company of record at the close of business on June 30, 1948, and to cause to be filed

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with or mailed to the Securities and Exchange Commission and the New York Stock Exchange copies of such documents in the form in which they shall be released to stockholders; and further

RESOLVED, that, in the form of proxy so to be sent to stockholders, the Secretary or other proper officer be, and he hereby is, authorized to include Warren Lee Pierson, A. V. Koslie, A. B. Eisenhower and Nelson S. Talbott as the attorneys and proxies named therein, with power of substitution; and further

RESOLVED, that, if the stockholders approve the proposed amendment to the Agreement and Act of Consolidation, constituting the Certificate of Incorporation, of this Company, the proper officers of this Company be, and they hereby are, authorized to file and record or cause to be filed and recorded as required by the law of Delaware a Certificate of Amendment to give effect to such proposed amendment as authorized by the stockholders; and further

RESOLVED, that the proper officers of this Company be, and they hereby are, authorized and empowered to do or cause to be done all such further things that may be necessary or desirable for the purpose of carrying out all resolutions adopted at this meeting relating to the increase in the authorized shares of common stock of the Company and the offer to Hughes Tool Company with respect to the conversion of the Subordinated Convertible 2-3/4% Debentures of this Company and the intent thereof.

At this point Messrs. Dietrich and Slack re-entered the meeting and the Chairman of the Board outlined to Mr. Dietrich, as Executive Vice President of Hughes Tool Company, the offer to Hughes Tool Company of the right to convert the Subordinated Convertible 2-3/4% Notes of this Company into shares of its Common Stock on the terms and conditions outlined in the foregoing resolutions.

Thereupon, Messrs. Dietrich and Slack retired from the meeting.

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RESIGNATION OF MR. ROBERT H. BIRON, JR.,
VICE PRESIDENT - INDUSTRIAL RELATIONS

There was presented to the meeting a letter dated June 15, 1948, from Mr. Robert H. Biron, Jr. submitting his resignation as Vice President - Industrial Relations.

Upon motion duly made, seconded and carried, it was

RESOLVED, that the resignation of Mr. Robert H. Biron, Jr. as Vice President - Industrial Relations of this Corporation, effective June 22, 1948, be, and it hereby is, accepted with regret.

APPOINTMENT OF MR. DAVID W. HARRIS AS
DIRECTOR - INDUSTRIAL RELATIONS

Upon motion duly made, seconded and carried, the Board of Directors authorized the appointment of Mr. David W. Harris as Director - Industrial Relations, effective June 22, 1948, at an annual salary of \$12,000.

IRANIAN AIRWAYS

After discussion, upon motion duly made, seconded and carried, it was

RESOLVED, that the proper officers of this Corporation be, and they hereby are, authorized to execute and deliver in the name and on behalf of Transcontinental & Eastern Air, Inc. a Power of Attorney authorizing such representative of this Corporation as may be designated by such officers to effect a mutual release and settlement of all claims and differences between this Corporation and Iranian Airways upon such terms and conditions as might appear in the discretion of such representative to be in the best interests of this Corporation, provided that such settlement and release shall not entail any expenditure of funds on the part of this Corporation.

ADJOURNMENT

There being no further business to come before the meeting, it was adjourned at 3:00 P. M.

E. Wiley Bank

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(TWA Proxy Statement, July 15, 1948)

thereof, in which event the conversion price is the par value. The Corporation may, on January 1, 1950, and on that date only, require the holder of the Notes to convert, at a price per share to be calculated by the same method. The holder of the Notes was given the option to convert unpaid accumulated interest into Common Stock or to receive cash therefor. By agreement dated December 26, 1947, Hughes Tool Company waived all its rights to require payment of these Notes in money or in any form other than stock in the Corporation in accordance with the convertibility provisions of such Notes. It was agreed that such Notes remain in full force insofar as they relate to stock acquisition and that they constitute the measure of and the basis for Hughes Tool Company's right to require additional stock in the Corporation in satisfaction of such Notes.

Pursuant to a resolution of the Board of Directors adopted on June 15, 1948, an offer was made to Hughes Tool Company to convert the Subordinated Convertible $2\frac{3}{4}\%$ Notes of the Corporation in the aggregate principal amount of \$10,000,000, plus accumulated interest thereon to the close of business on June 18, 1948, of \$344,239.75, into shares of the Corporation's Common Stock, having a par value of \$5 per share, at a price of \$10 per share. Such offer was open for acceptance until June 18, 1948 and was subject and contingent upon:

(1) The execution of such agreements with, or the securing of such consents from, the parties to the Agreement of March 25, 1948 between the Corporation, Hughes Tool Company, various Lending Banks referred to therein, Wright Aeronautical Corporation, Curtiss-Wright Corporation, Lockheed Aircraft Corporation and Bankers Trust Company, and from The Equitable Life Assurance Society of the United States as the holder of the Corporation's 3% Sinking Fund Debentures, as the proper officers of the Corporation with the advice of counsel may deem necessary or advisable. Such consents or agreements have not yet been secured.

(2) Approval by the holders of a majority of the Common Stock of the Corporation (exclusive of the stock held by Hughes Tool Company) present in person or represented by proxy at a special meeting of stockholders.

Such offer was accepted by Hughes Tool Company on June 18, 1948.

If this proposal is not adopted and if before January 2, 1956, the minimum conversion price of \$5 per share becomes effective, upon conversion by Hughes Tool Company it would receive 2,000,000 shares of Common Stock representing the \$10,000,000 principal amount of the Subordinated Convertible $2\frac{3}{4}\%$ Notes of the Corporation plus additional shares converted at \$5 per share representing interest accrued at the rate of \$275,000 per annum for each year during which the Notes were outstanding.

The Corporation cannot require conversion except on January 1, 1950 at whatever the conversion price may be on that date.

Had the Corporation the right to require conversion on June 18, 1948, the date of acceptance by Hughes Tool Company of this proposal, the conversion price would have been \$15.80 per share and Hughes Tool Company would have received 654,699 shares.

The closing price of the Common Stock of the Corporation on the New York Stock Exchange on July 8, 1948 was \$13.75 per share.

The purpose of this proposal is to eliminate the present uncertainty as to the number of shares of Common Stock which might be required to be issued upon conversion of the Notes, since the conversion rate fluctuates with the market, and to eliminate the obligation to issue additional shares of Common Stock in satisfaction of interest accruing on the Notes subsequent to June 18, 1948, and thus to place the Corporation in a better position to finance at the appropriate time.

If this offer is approved by the holders of a majority of the Common Stock (exclusive of the stock of Hughes Tool Company) present in person or represented by proxy at the Special Meeting of Stockholders and if other requisite approvals under the Corporation's financial arrangements are obtained, the

Corporation will issue to Hughes Tool Company 1,034,423 shares of Common Stock and all the Subordinated Convertible 2 $\frac{3}{4}$ % Notes of the Corporation will be surrendered and retired, after which Hughes Tool Company will own approximately 73% of the then outstanding Common Stock.

If this proposal is carried out no interest will be accumulated on these Notes for the period between June 18, 1948 and the date of surrender of such Notes. If the proposal is not carried out interest will continue to accrue after June 18, 1948 in accordance with the provisions of the Notes.

As of June 15, 1948, Hughes Tool Company owned of record and beneficially 452,100 shares, constituting approximately 45.85% of the issued and outstanding stock of the Corporation. All of the stock owned of record by Hughes Tool Company is also owned beneficially by Hughes Tool Company. Mr. Noah Dietrich, a director of the Corporation, who has not voted on the proposals in question, is also Executive Vice-President and a director of Hughes Tool Company. No director of the Corporation has any substantial interest in the matters to be acted upon at the meeting except as a stockholder of the Corporation and no director owns in excess of 200 shares.

In 1944 the Civil Aeronautics Board approved the acquisition of control of the Corporation by Hughes Tool Company under Section 408 of the Civil Aeronautics Act. The \$10,000,000 represented by the Subordinated Convertible 2 $\frac{3}{4}$ % Notes of the Corporation was loaned by Hughes Tool Company to the Corporation pursuant to an agreement dated January 8, 1947, which was filed with the Civil Aeronautics Board for approval if such approval was deemed necessary. The Corporation and Hughes Tool Company maintain that the Board's original order approving control of the Corporation by Hughes Tool Company made any further consideration of this question unnecessary. By order dated June 30, 1948, the Civil Aeronautics Board states that the agreement of January 8, 1947 constituted a further acquisition of control requiring approval under Section 408 of the Civil Aeronautics Act and directs that a hearing be held to determine whether such further acquisition should be approved.

Description of Common Stock

Dividend Rights. Except as set forth below under the following subheading Limitations in Indenture on Payment of Dividends, the Board of Directors of the Corporation may declare and pay dividends on the Common Stock out of any funds of the Corporation legally available therefor.

Limitations in Indentures on Payment of Dividends. The Indenture dated December 1, 1945 between the Corporation and The Commercial National Bank and Trust Company of New York, as subsequently amended, under which the 3% Sinking Fund Debentures of the Corporation have been issued, provides in substance that the Corporation will not declare any dividends (other than stock dividends) on any class of stock or authorize any payment for the purchase, redemption or other retirement of any stock or any distribution in respect thereof (such dividends, payments or distributions being herein called "Stock Payments"), unless, among other things, on the date of such declaration or authorization, after giving effect to the proposed Stock Payment and all other Stock Payments declared or authorized after December 31, 1945, each of the following conditions will be complied with:

(i) After deducting certain items, including provisions for income taxes, from both consolidated current assets and consolidated current liabilities of the Corporation and its subsidiaries, the remaining consolidated current assets shall be at least equal to 200% of the remaining consolidated current liabilities;

(ii) The consolidated net current assets of the Corporation and its subsidiaries shall be at least \$7,000,000 or 10% of consolidated funded indebtedness as defined in such Indenture, whichever is greater; and

(iii) The sum of all Stock Payments subsequent to December 31, 1945, does not exceed the sum of (a) 50% of the consolidated net income of the Corporation and its subsidiaries for the period subsequent to December 31, 1945 to and including the date of the declaration or authorization of the proposed Stock Payment, plus (b) the aggregate cash proceeds of all stock of the Corporation during the period from December 31, 1945 to and including such date; provided that in no

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(TWA Prospectus, 2/18/49 & Amendments, 3/8/49)

TWA 293 ID

TRANSCONTINENTAL & WESTERN AIR, INC.

Amendment to Prospectus dated February 18, 1949

Of the 404,112 shares of Common Stock offered to stockholders, 375,036 shares were purchased on the exercise of Subscription Warrants, including the 297,304 shares purchased by Hughes Tool Company. The Underwriters are purchasing from TWA the 29,076 unsubscribed shares at \$10 per share subject to the provisions of the Purchase Contract. The aggregate underwriting commissions will be \$5,921.20 and the proceeds to TWA on the 106,808 underwritten shares, after underwriting commissions and before expenses, will be \$982,158.80, or approximately \$9.20 per share.

TWA is advised by the representative of the several Underwriters that the Underwriters intend to make a public offering of the 29,076 unsubscribed shares at an initial public offering price of \$11 $\frac{3}{4}$ per share and to allow a concession of 40¢ per share to certain dealers including Underwriters. If such shares are sold at this price, the Underwriters will realize an aggregate gross profit (before expenses and dealers' concessions) of \$39,979.50 in addition to the commissions payable to them by TWA as set forth above. The closing price of the Common Stock on the New York Stock Exchange on March 7, 1949 was \$11 $\frac{1}{2}$ per share.

On February 25, 1949, the Civil Aeronautics Board issued a statement of policy with respect to its economic program for 1949, and concurrently therewith served a number of orders which, among other things:

(1) Directed TWA to "show cause" why the temporary air mail rates for its transcontinental system should not be increased by a lump-sum payment of \$2,748,000 for the period March 14, 1947, through December 31, 1948. \$2,029,000 of this amount, if granted, would represent additional compensation for transportation of air mail on TWA's transcontinental system in the year 1948, and the remainder of \$719,000, if granted, would represent a payment by the Government to compensate TWA for the amortization, for the period from March 14, 1947, through December 31, 1948, of losses (estimated at \$1,000,000 by the Board for the purpose of fixing the temporary rate) incurred in 1946 because of the leasing of Constellation aircraft by the Administrator of Civil Aeronautics. Additional payments, at the rate of \$33,333 per month, would be made after January 1, 1949, until complete amortization of losses (except for the period from October 1, 1946, to March 14, 1947) had been accom-

(see over)

TRANSCONTINENTAL & WESTERN AIR, INC.**Amendment to Prospectus dated February 18, 1949 (Continued)**

plished by October 1, 1951, or until the final rate of air mail pay for the transcontinental system had been established. The final air mail rate or rates may be lower or higher than the temporary rates specified in the order to show cause.

(2) Instituted an investigation into the reasons for the differences in air mail pay requirements between American Airlines, Inc., Eastern Air Lines, Inc., United Air Lines, Inc., and TWA, to determine to what extent, if any, these differences may be occasioned by uneconomical and inefficient management, and to explore remedial action to be taken by the Board or said air carriers to eliminate or decrease dependence upon the Government for "need" air mail payments.

(3) Instituted a proceeding to determine whether it would be in the public interest to alter, amend or modify certificates of public convenience and necessity of United Air Lines, Inc., TWA, Capital Airlines, Inc. or American Airlines, Inc. to prevent any one or more of such air carriers from engaging in one-stop or non-stop operations between Washington and Chicago.

In its statement of policy the Board indicated that it is engaged in an exhaustive study of the existing air route pattern and that during the year other action dealing with uneconomic situations therein might be taken.

On March 1, 1949, the Board acted on the motions of Public Counsel and TWA in the proceedings relating to the acquisition of assets of American Overseas Airlines, Inc. by Pan American Airways, Inc. (described under the caption "History and Business—Other Recent Developments") and instituted a proceeding to determine whether, if the proposed acquisition is approved, public convenience and necessity require the alteration, amendment or modification in whole or in part of the Certificates of American Overseas Airlines, Inc., Pan American Airways, Inc., and TWA for north Atlantic operations and to make such amendments, alterations and modifications thereof as may be found to be so required.

Dated, March 8, 1949.

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INFORMATION (TWA Prospectus, 2/18/49 & Amendments, 3/8/49)

PROSPECTUS

2/18/49

MAR 7-1949

TRANS WORLD AIRLINES, INC. INCREMENT RECORD

FORMERLY

404,112 Shares

RETURN TO

MERRILL RIPLEY
INCORPORATED

Transcontinental & Western Air, Inc.

Common Stock

63 WALL ST.

(par value \$5)

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

As more fully set forth herein, Transcontinental & Western Air, Inc. (hereinafter called TWA) is offering to the holders of its outstanding Common Stock of record at the close of business on February 16, 1949, or on such later date as the within mentioned registration statement becomes effective, the right to subscribe at \$10 a share for an aggregate of 404,112 shares of Common Stock at the rate of one-fifth of one share for each share then held. Such subscription rights will be evidenced by Subscription Warrants which will be exercisable (Fractional Subscription Warrants only in amounts calling for full shares) upon surrender thereof and payment of the subscription price at the office of The Commercial National Bank and Trust Company of New York, 46 Wall Street, New York 15, N. Y., at or before 3:00 o'clock P. M., Eastern Standard Time, March 7, 1949 (with certain provisions for telegraphic subscription), after which time such Subscription Warrants will be void. Prior to the mailing of the Subscription Warrants to stockholders, Hughes Tool Company, the holder of 1,486,523 shares of Common Stock of TWA, will have agreed to purchase for investment 297,304 shares of Common Stock through the exercise of Subscription Warrants issued to it. The several Underwriters named herein have agreed, subject to the conditions of the Purchase Contract, including the purchase by Hughes Tool Company of the above number of shares, to purchase at the subscription price any of the remaining 106,808 shares of Common Stock not purchased upon the exercise of Subscription Warrants. See the captions "Offering to Stockholders", "History and Business—Relations with Hughes Tool Company" and "Underwriting".

	Price to Public(1)	Underwriting Discounts and Commissions(2)		Proceeds to Company(2) (3)		
		As to 297,304 sha.	As to 106,808 sha.		As to 297,304 sha.	As to 106,808 sha.
			Maximum	Minimum		Minimum Maximum
Per Unit.....	\$10	None	\$1.25	\$0.75	\$10	\$8.75 \$9.25
Total.....	\$4,041,120	None	\$133,510	\$80,106	\$2,973,040	\$934,570 \$987,974

(1) The price to public is the subscription price payable upon exercise of Subscription Warrants.

(2) As compensation for the Underwriters' commitments referred to above TWA has agreed to pay an amount equal to 75¢ per share on the total of 106,808 shares of Common Stock mentioned above, plus an additional compensation on each unsubscribed share purchased by the Underwriters as follows: 10¢ if the number of such shares exceeds 10,681 and does not exceed 21,362; 20¢ if such number of shares exceeds 21,362 and does not exceed 32,042; 30¢ if such number of shares exceeds 32,042 and does not exceed 42,723; 40¢ if such number of shares exceeds 42,723 and does not exceed 53,404; and 50¢ if such number of shares exceeds 53,404. The maximum proceeds to TWA and the minimum underwriting discounts and commissions assume that all of the 106,808 shares are sold by TWA upon exercise of Subscription Warrants and the minimum proceeds and maximum discounts and commissions assume that none of such shares is so sold. See the caption "Underwriting" with respect to certain indemnification agreements between TWA and the several Underwriters.

(3) After deduction of underwriting commissions but without allowing for expenses payable by TWA estimated to be \$118,260.

Prior to the expiration of the Subscription Warrants the Underwriters may offer and sell firm or subject to allotment or to prior subscription through the exercise of Subscription Warrants, Common Stock at prices not less than the subscription price, less in the case of dealers the dealers' concession. During the same period such prices shall be not more than the last sale price of Common Stock on the New York Stock Exchange in the last preceding 24-hour period in which such stock was sold on said Exchange plus an amount equal to Stock Exchange brokerage commissions on sales thereof and which the Underwriters intend shall not be varied within any 24-hour period, except that such price may be reduced by the Underwriters within any such period. Such offer may include stock purchased by the Underwriters under any provisions of the Agreement Among Underwriters or through the exercise of Subscription Warrants or may be made in anticipation of the purchase of stock under the Purchase Contract or through the exercise of Subscription Warrants. During the calendar year 1948, TWA's Common Stock sold on the New York Stock Exchange at a low of \$9 3/4 and a high of \$22 3/4 per share; and the range for 1949 up to February 16 was between \$10 and \$13. The closing price on said Exchange on February 16, 1949 was \$11 3/4 per share. After the expiration of the Subscription Warrants the Underwriters may or may not make one or more private or public offerings of Common Stock. The price or prices of any such offering have not been fixed as of the effective date of the registration statement but will be determined by the representative of the Underwriters after the expiration of the Subscription Warrants, see caption "Terms of Offering". As a result the Underwriters may realize profits or losses independent of the underwriting commissions stated above.

A complete list of the Underwriters appears herein under the caption "Underwriting".

Merrill Lynch, Pierce, Fenner & Beane

TWA's presently outstanding Common Stock is listed on the New York, San Francisco, Los Angeles and Chicago Stock Exchanges and applications have been made to said Exchanges for the listing thereon of the 404,112 shares of Common Stock offered hereby. Application has also been made to the New York Stock Exchange for the trading thereon of rights evidenced by the Subscription Warrants described herein.

The date of issue of this prospectus is February 18, 1949.

No dealer, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in this prospectus, in connection with the offer contained in this prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by TWA or by the Underwriters. This prospectus does not constitute an offer by TWA or by any Underwriter to sell the Common Stock in any state in which such offer may not lawfully be made.

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REGISTRATION STATEMENT

A registration statement relating to the 404,112 shares of Common Stock, \$5 par value (herein called the Common Stock) of TWA and the Subscription Warrants evidencing the right to subscribe for such shares, has been filed with the Securities and Exchange Commission, Washington, D. C., under the Securities Act of 1933. For further information, reference is made to such registration statement, including the financial schedules therein and exhibits thereto.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AND THE SUBSCRIPTION WARRANTS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE COMMON STOCK ON THE NEW YORK, SAN FRANCISCO, LOS ANGELES AND CHICAGO STOCK EXCHANGES OR IN THE OVER-THE-COUNTER MARKET AND IN THE SUBSCRIPTION WARRANTS ON THE NEW YORK STOCK EXCHANGE OR IN THE OVER-THE-COUNTER MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. IN THIS CONNECTION SEE THE CAPTION "TERMS OF OFFERING" HEREIN.

404,112 Shares

Transcontinental & Western Air, Inc.

Common Stock
(par value \$5)*Transfer Agent*THE COMMERCIAL NATIONAL BANK AND
TRUST COMPANY OF NEW YORK*Registrar*

BANKERS TRUST COMPANY

OFFERING TO STOCKHOLDERS

Terms of Offering. TWA is offering to holders of its outstanding Common Stock of record at the close of business on February 16, 1949, or on such later date as the above mentioned registration statement becomes effective, the right to subscribe at \$10 per share for an aggregate of 404,112 shares of Common Stock, being at the rate of one-fifth of one share of Common Stock for each share of Common Stock then held. To evidence the subscription rights, TWA is issuing to such stockholders transferable Subscription Warrants. The right to subscribe expires at 3:00 o'clock P. M., Eastern Standard Time, on March 7, 1949, after which unexercised Subscription Warrants will be void and of no value.

Prior to the mailing of the Subscription Warrants to stockholders, Hughes Tool Company, the holder of 1,486,523 shares of Common Stock of TWA, will have agreed to purchase for investment 297,304 shares of Common Stock through the exercise of Subscription Warrants issued to it—see the caption "History and Business—Relations with Hughes Tool Company". The form of this agreement is filed as Exhibit 15z to the registration statement.

As is more fully set forth under the caption "Description of Common Stock", the Trust Indenture, as amended, under which TWA's Debentures are outstanding, contains various provisions restricting the payment of cash dividends, including a restriction based upon TWA's consolidated net income subsequent to December 31, 1945. For the period from December 31, 1945, to November 30, 1948, TWA had a consolidated net loss of approximately \$24,700,000. TWA will have to have consolidated net income after November 30, 1948, in excess of said amount before it can pay dividends on the Common Stock.

Exercise of Subscription Warrants. Subscription Warrants may be exercised, after filling in and signing the subscription form on the back of the warrant, by surrender thereof to the Warrant Agent, The Commercial National Bank and Trust Company of New York, 46 Wall Street, New York 15, N. Y., accompanied by payment for the shares subscribed. No subscription for a fraction of a share will be accepted. All such payments should be made in cash or by check in New York funds to the order of The Commercial National Bank and Trust Company of New York. Warrant holders unable to surrender their Warrants in New York by the expiration date may exercise their subscription rights

by forwarding the subscription price by telegram or otherwise so as to be received by the Warrant Agent at or before 3 o'clock P. M., Eastern Standard Time, March 7, 1949, together with a guarantee in writing or by telegram from a bank, trust company or a member firm of the New York Stock Exchange that the Subscription Warrants with respect to the shares of Common Stock subscribed for have been transmitted by it, or are in its possession and will be transmitted immediately by it, to such Warrant Agent. Such subscriptions will be accepted subject to withholding of delivery of Common Stock subscribed for until receipt of the duly executed Warrants. Certificates for shares of Common Stock will be issued as soon as practicable after subscription and payment of the subscription price.

Subscription Warrants. The Subscription Warrants are of two kinds: Full Share Subscription Warrants and Fractional Subscription Warrants. The Full Share Subscription Warrants are in registered form and are transferable on the books of TWA on surrender thereof, properly assigned, at the office of the Warrant Agent. The Fractional Subscription Warrants are in bearer form and are transferable by delivery. Fractional Subscription Warrants may be exercised when accompanied by other Fractional Subscription Warrants, evidencing in the aggregate the right to subscribe for one or more full shares of Common Stock. Full Share Subscription Warrants and Fractional Subscription Warrants, upon surrender at the office of the Warrant Agent, may be exchanged for Full Share Subscription Warrants or Fractional Subscription Warrants evidencing the right to subscribe for the same aggregate number of shares as the Subscription Warrants so surrendered.

Foreign Stockholders. Subscription Warrants are not to be mailed to stockholders having registered addresses outside the United States and Canada, but are to be held for such stockholders by the Warrant Agent, subject to satisfactory arrangements being made with the Warrant Agent for exercise or sale or other disposition thereof, until 10:00 o'clock A. M., Eastern Standard Time, on March 4, 1949, the last full business day before the unexercised Subscription Warrants expire. The Subscription Warrants so held, as to which such other arrangements shall not have been made, are then to be sold, if possible; and, to the extent permitted by applicable laws and regulations, a pro rata share of the aggregate net proceeds, if any, therefrom is to be remitted to each stockholder on whose behalf such sale was made or, if such remittance is not permitted, held for the account of such stockholder subject to payment on receipt of lawful instructions.

Unsubscribed Shares. As set forth above the several Underwriters named herein have agreed, subject to the conditions of the Purchase Contract, including the purchase by Hughes Tool Company of 297,304 shares of Common Stock, to purchase at the subscription price any of the remaining 106,808 shares of Common Stock not purchased upon the exercise of Subscription Warrants—see the caption "Underwriting".

PURPOSE OF ISSUE

The net proceeds to be received by TWA from the sale of the 404,112 shares of Common Stock offered hereby are estimated to be approximately \$3,789,350, after deducting expenses estimated to amount to \$118,260 and the maximum amount of commissions to Underwriters in the amount set forth on the cover of this prospectus, and approximately \$3,842,754, after deducting such estimated expenses and the minimum amount of commissions to Underwriters in the amount set forth on the cover of this prospectus.

The net proceeds will be added to and become part of the general funds of TWA. The general funds of TWA will be used for such corporate purposes as the management may determine. Since 1945, TWA's working capital requirements have increased as a result of the expansion of TWA's air transportation services. For the twelve-month period ended January 31, 1946, TWA's average monthly operating expenses (excluding amortization and depreciation) were approximately \$2,475,000, while for the twelve-month period ended November 30, 1948, such average monthly operating expenses were approximately \$7,524,000. Furthermore, in the last three years, operating losses and acquisition of new flight equipment have reduced net working capital. TWA is also obligated in 1949 to make payments on its funded debt (as presently constituted) of approximately \$7,700,000, of which \$4,100,000 is for principal payments, \$2,000,000 is for sinking fund, and \$1,600,000 is for interest.

After excluding from current liabilities principal, sinking fund and interest payments on funded debt for 1949, TWA's working capital at November 30, 1948, amounted to approximately \$13,300,000. At the present time depreciation and amortization on its properties is at the rate of about \$10,000,000 per annum. While the management believes that its working capital, the net proceeds received from the sale of the Common Stock offered hereby, funds retained on account of depreciation and amortization,

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(TWA Prospectus, 2/13/49 & Amendments, 3/8/49)

plus operating revenues after deducting depreciation and amortization, will be sufficient to finance its operating expenses and to meet the principal, sinking fund and interest payments on its funded debt, the representation is made that additional financings will not be necessary or desirable.

Of the net proceeds to be received from the sale of the shares of Common Stock offered hereby, an amount equal to the par value thereof (being \$5 per share) will be credited to capital account and the balance will be credited to capital surplus—paid in.

CAPITALIZATION

	Amount as of February 1, 1949		
	<u>Authorized</u>	<u>Outstanding</u>	<u>Giving effect to sale of all Common Stock being registered</u>
3% Sinking Fund Debentures (Series A) due June 1, 1956	\$29,500,000.00(A)	\$29,500,000.00	\$29,500,000.00
3% Sinking Fund Debentures (Series B) due December 1, 1955	\$ 9,500,000.00(B)	\$ 9,500,000.00	\$ 9,500,000.00
3% promissory notes (secured) maturing in monthly instalments from September 30, 1948 to May 31, 1953(C)	\$16,414,656.38(D)	\$16,390,404.12	\$16,390,404.12
2% promissory notes (secured) maturing serially from September 1, 1947 to June 1, 1950	\$ 447,914.54(E)	\$ 447,914.54	\$ 447,914.54
Common Stock, \$5 par value	4,000,000 sha.	2,020,560 sha.	2,424,672 sha.

(A) Originally \$30,000,000, of which \$500,000 principal amount has been retired through operation of the sinking fund. For 1949 a fixed sinking fund payment of \$1,000,000 is required to be made on May 28 and additional sinking fund payments are required depending on net income as set forth under the caption "Funded Debt—Debentures".

(B) Originally \$10,000,000, of which \$500,000 principal amount has been retired through the operation of the sinking fund. For 1949 a fixed sinking fund payment of \$1,000,000 is required to be made on November 27 and additional sinking fund payments are required depending on net income as set forth under the caption "Funded Debt—Debentures".

(C) For a statement respecting the guaranty of a portion of these notes by Lockheed Aircraft Corporation see the caption "Funded Debt—3% Promissory Notes".

(D) Originally \$18,776,942.50. TWA has reduced commitments of the banks by \$808,203.56, and paid \$1,554,082.56 on account of principal of the \$17,944,486.68 principal amount of notes delivered. \$24,252.26 principal amount of notes may still be delivered as described under the caption "History and Business—Equipment". On the basis of the notes outstanding on February 1, 1949, the sum of \$315,200.12 is due on account of principal on February 28, 1949 and a similar amount is payable each month thereafter.

(E) Originally \$1,700,000.00. \$1,252,083.46 has been paid on account of the principal of these notes, and \$85,000.00 is to be so paid on or about March 1, 1949 and a similar amount is payable each quarter thereafter, with additional payments in certain events, as set forth under the caption "Funded Debt—3% Promissory Notes".

SUMMARY OF CONSOLIDATED OPERATIONS

The following summary of consolidated operations of TWA and subsidiaries, except for the eleven months period ended November 30, 1948, has been reviewed by Hastings & Sells, independent public accountants, and is included herein in reliance upon their opinion, set forth on page 43 hereof, and upon their authority as experts. The figures for said eleven months period have been prepared by TWA and are subject to audit and year-end adjustments.* The operations for the three years and seven months ended July 31, 1948, are set forth in greater detail in the financial statements hereinafter included in this prospectus and the summary of consolidated operations below should be read in conjunction with such financial statements and the footnotes thereto.

Year Ended December 31	Depreciation, and Amortization, and				Interest Expense	Other Income (Credits)—Net	Income Taxes	Net Income (Loss) (G)
	Operating Revenues	Operating Expenses	Operating Property (G)	Other Expenses				
1938	A\$ 6,220,770	\$ 5,913,651	\$ 1,008,287	\$ 5,913,651	\$ 672	\$ 46,626	\$ 105,379	A(\$ 748,466)
1939	A 8,308,263	935,651	7,000,128	7,000,128	12,099	87,873	A 107,133	A { 107,133
1940	A 11,572,221	992,981	10,603,034	10,603,034	3,408	54,129	16,641	{ 97,972
1941	14,064,260	1,662,456	12,875,320	12,875,320	45,886	31,789	1,493,835	{ 487,613
1942	16,044,632	B 1,126,548	11,527,864	11,527,864	D { 314,628	D { 239,829	1,569,302	{ 2,176,035
1943	19,212,939	B 949,703	14,870,825	14,870,825	12,047	D { 41,445	2,050,891	{ 2,050,891
1944	25,340,735	B 949,932	19,619,541	19,619,541	37	D { 179,472	2,059,710	{ 2,752,960
1945	33,776,106	2,047,542	28,528,299	28,528,299	37,362	D { 1,169,835	F(3,016,382)	{ 1,813,576
1946	A 58,047,754	5,775,403	66,510,494	66,510,494	852,793	ED 1,591,922	A { 13,666,476	{ 8,079,761
1947	78,521,311	7,788,611	77,556,430	77,556,430	1,501,121	D { 245,090	A { 5,008,241	{ 5,008,241
Seven Months Ended July 31, 1948	A 53,607,549	4,644,788	51,814,539	51,814,539	1,006,972	E 1,149,491	—	—
Eleven Months Ended November 30, 1948	A 89,461,794	7,773,242	81,894,002	81,894,002	1,576,109	E 1,174,500	—	A(2,956,089)

Notes:

- A. Operating revenue for the years 1938, 1939, and 1946 as previously reported, has been increased by the amounts of \$24,797, \$401,139, and \$686,761, respectively, for retroactive mail rate increases granted by the Civil Aeronautics Board in 1939, 1940, and 1947. In December, 1948, the Company was granted an additional increase, retroactive to January 1, 1948, in the temporary rate for carriage of mail on its International route. The portions of such increase applicable to the seven months ended July 31, 1948 and to the eleven months ended November 30, 1948, amounting to approximately \$1,680,800 and \$2,670,904, respectively, have been included in operating revenue for those periods.
- B. The substantial reduction in provision for depreciation for the years 1942 to 1944, inclusive, was due principally to the fact that during that period TWA turned over to the United States Government for use in the war, 16 of its 41 aircraft, which included all four-engine aircraft owned by TWA.
- C. TWA has provided for depreciation on the basis of the estimated remaining useful life of the respective classes of property and such estimates have been revised from time to time whenever justified by experience. See Note 11 to Financial Statements regarding the effect on earnings of such revisions made during the three years and seven months ended July 31, 1948. Revisions made prior to that period had no material effect on earnings.
- D. Fees and net revenue on United States Government contracts and recovery of fees and charges previously disallowed on such contracts are included in "Other Income Charges (Credits)—Net" as follows:

1942	\$210,216
1943	412,728
1944	184,643
1945	172,515
1946	189,111
1947	135,098

- E. "Other Income Charges (Credits)—Net" includes write-down of investments in foreign airlines amounting to \$1,625,750 in 1946, \$896,903 for the seven months ended July 31, 1948 and \$921,902 for the eleven months ended November 30, 1948. See Note 3 to Financial Statements.
- F. Income tax credit for the year 1946 represents Federal income tax refund of \$1,105,942 resulting from carry-back of 1946 loss, less \$89,460 additional income taxes applicable to prior years.
- G. For 1946, as to payment of cash dividends, and for requirements as to sinking fund payments, see the captions "Description of Common Stock" and "Funded Debt—Debentures", and Note 6 to Financial Statements.
- H. Reference is made to the information under the caption "History and Business—Earnings" relating to operations since November 30, 1948.

* The management estimates that December results and adjustments (of the usual year-end type) will result in loss for the full year 1948 at least \$400,000 less than the eleven months loss. The management knows of no year-end adjustments which would have a material effect of an adverse nature on the results for the year or the financial condition at the end of the year.

HISTORY AND BUSINESS**General**

TWA was incorporated under the laws of the State of Delaware on December 27, 1934, by the consolidation of Transcontinental & Western Air, Inc., a Delaware corporation incorporated in 1930 (hereinafter called the Old Company) and TWA, Inc., a Delaware corporation incorporated in 1934. TWA's principal business office is located at 101 West 11th Street, Kansas City 6, Missouri.

TWA has been engaged in the transportation of persons, property and mail by air since its organization and intends to continue in that business. The two consolidating corporations above named had been similarly engaged, the Old Company having instituted the first all-air coast-to-coast passenger service in 1930. The Old Company had been formed for that purpose by Transcontinental Air Transport, Inc. (which had inaugurated the first coast-to-coast air-rail service in 1929) and Western Air Express Corporation and Pittsburgh Aviation Industries Corporation, two other aviation pioneers.

TWA presently provides a transcontinental service in the continental United States and an international service between the United States and foreign countries. In the twelve-month period ended November 30, 1948, approximately 61% of TWA's operating revenue was derived from its transcontinental system and approximately 39% from its international system.

The only subsidiaries of TWA are three companies, none of which is engaged in air transportation and whose book assets, at November 30, 1948, aggregated less than \$100,000. One of these subsidiaries is being dissolved.

Regulation by Civil Aeronautics Board

TWA is an air carrier as defined in the Civil Aeronautics Act of 1938 (hereinafter sometimes called the Act). Its operations are regulated by the provisions of the Act and by the Civil Aeronautics Board (hereinafter sometimes called the Board) which administers the Act. Among other things, the Act prohibits any air carrier from engaging in interstate, overseas or foreign air transportation or the transportation of mail by aircraft unless it holds a certificate of public convenience and necessity (hereinafter called a Certificate), issued by the Board, authorizing such transportation.

Certificates confer no proprietary, property, or exclusive right in the use of any air space, civil airway, landing area, or air-navigation facility, and the Board may, after notice and hearing, alter, amend, modify or suspend any Certificate if the public convenience and necessity so require, or revoke the same for intentional failure to comply with the Act, or with any order, rule or regulation issued thereunder, or with any term, condition or limitation of such Certificate, but no Certificate may be revoked unless the holder fails to comply, within a reasonable time, with an order of the Board commanding obedience to the Act or the order, rule, regulation, term, condition or limitation found to have been violated.

Under the Act the Board has power under certain conditions to exempt air carriers from various requirements of the Act. The Board has exempted certain air carriers from the requirement of obtaining a Certificate before engaging in air transportation.

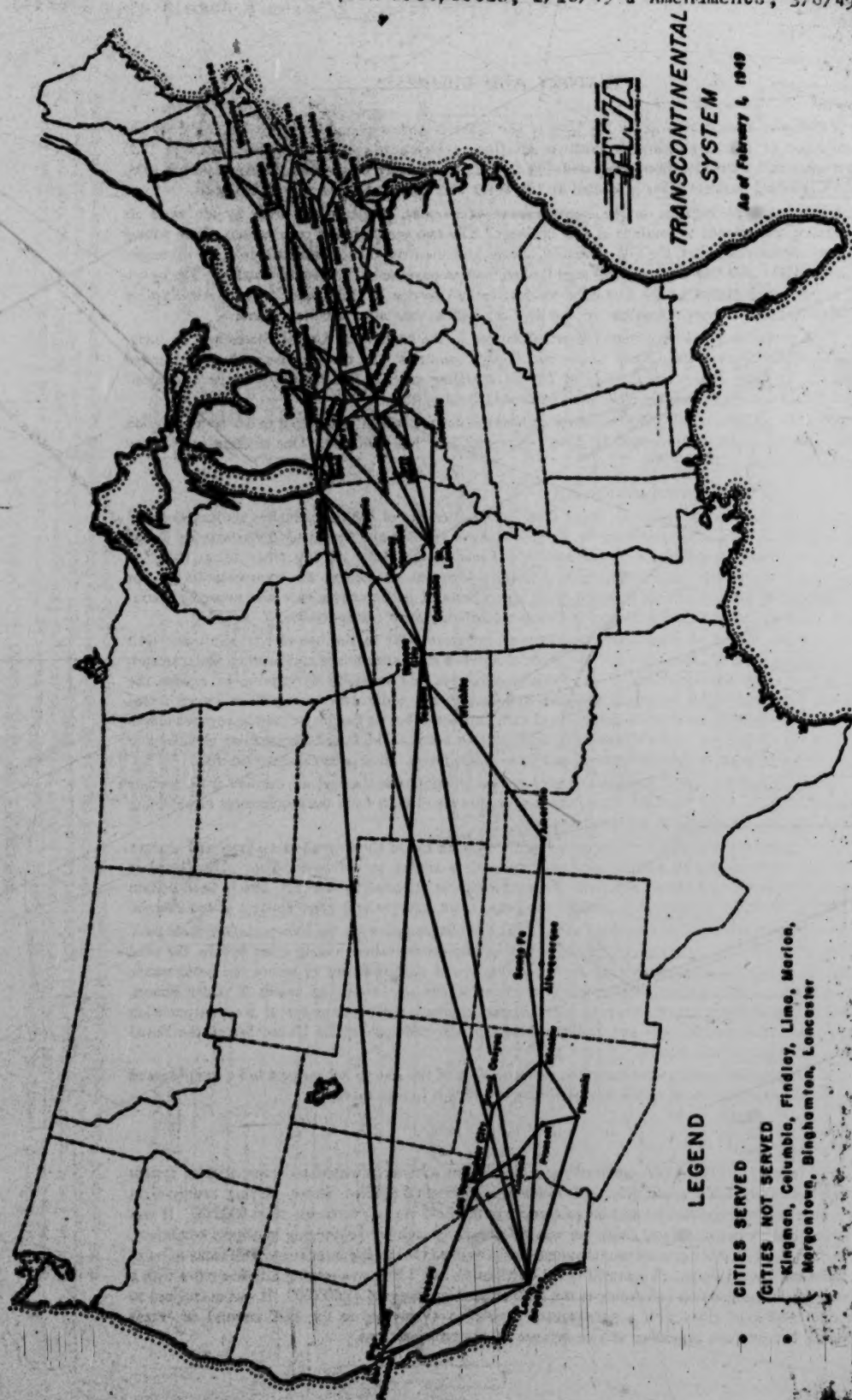
The Act also requires an air carrier to file tariffs with the Board showing all rates, fares and charges for the air transportation of persons and property, and to adhere to the tariffs filed. The Board is empowered to reject or suspend any tariff, filing of which is required by the Act, and to take certain remedial or corrective action with respect to the rates, fares, charges and other matters stated therein.

The Act also provides that the Board shall fix rates of compensation for the transportation of air mail. In fixing such rates, the Act requires the Board to take into consideration, among other factors, the need of each air carrier for compensation for the transportation of mail sufficient to insure the performance of such service, and, together with all other revenues of the air carrier, to enable it under honest, economical, and efficient management, to maintain and continue the development of air transportation to the extent and of the character and quality required for the commerce of the United States, the Postal Service, and the national defense.

The foregoing statements with respect to the provisions of the Act do not purport to be complete and are qualified by the provisions of the Act, reference to which is hereby made.

Routes**Transcontinental**

As of January 1, 1942, TWA operated under Certificates a transcontinental air transportation system over approximately 5,600 route miles, all within the continental United States, serving twenty-eight cities with a total metropolitan population (according to the 1940 census) in excess of 33,000,000. It was authorized to serve two additional cities, but was not providing such service because of airport conditions. By February 1, 1949, this transcontinental system had been expanded to approximately 7,000 route miles in the continental United States, all operated under Certificates, and TWA was serving fifty-five cities with a total metropolitan population (according to the 1940 census) in excess of 41,000,000. It was authorized to serve eight additional cities with a metropolitan population (according to the 1940 census) in excess of 400,000, but was not providing service because of airport conditions.



TWA presently holds Certificates authorizing it to engage in air transportation of persons, property and mail in continental United States as follows:

Route 2—Between certain cities in the western part of the United States, including San Francisco and Los Angeles, and cities in the eastern part of the United States, including Cleveland, Boston, New York, Washington and Baltimore, via designated cities, including Kansas City, St. Louis, Chicago, Cincinnati and Pittsburgh.

Route 58—Between St. Louis and Detroit via designated cities. A proceeding is pending before the Board (Docket 2581 *et al.*) to consolidate Route 2 and Route 58, which, if successful, would permit a more flexible service.

Route 38—Between Phoenix, Ariz., and Las Vegas, Nev., via designated cities. TWA has agreed, subject to Board approval, to sell this route (together with certain operating rights in Arizona) to Arizona Airways, Inc. for 500 shares (100%) of the preferred stock and 5,000 shares (20%) of the common stock of the latter corporation. The Board has heard argument on an application for approval of this transaction (Docket 2005), and has indicated that it will not approve the transaction in the form submitted, but that a proposal modified in certain respects might be approved.

TWA was authorized at February 1, 1949, to serve the cities named below on its transcontinental system, there being no service at that date (because of airport conditions) at the cities designated by an asterisk.

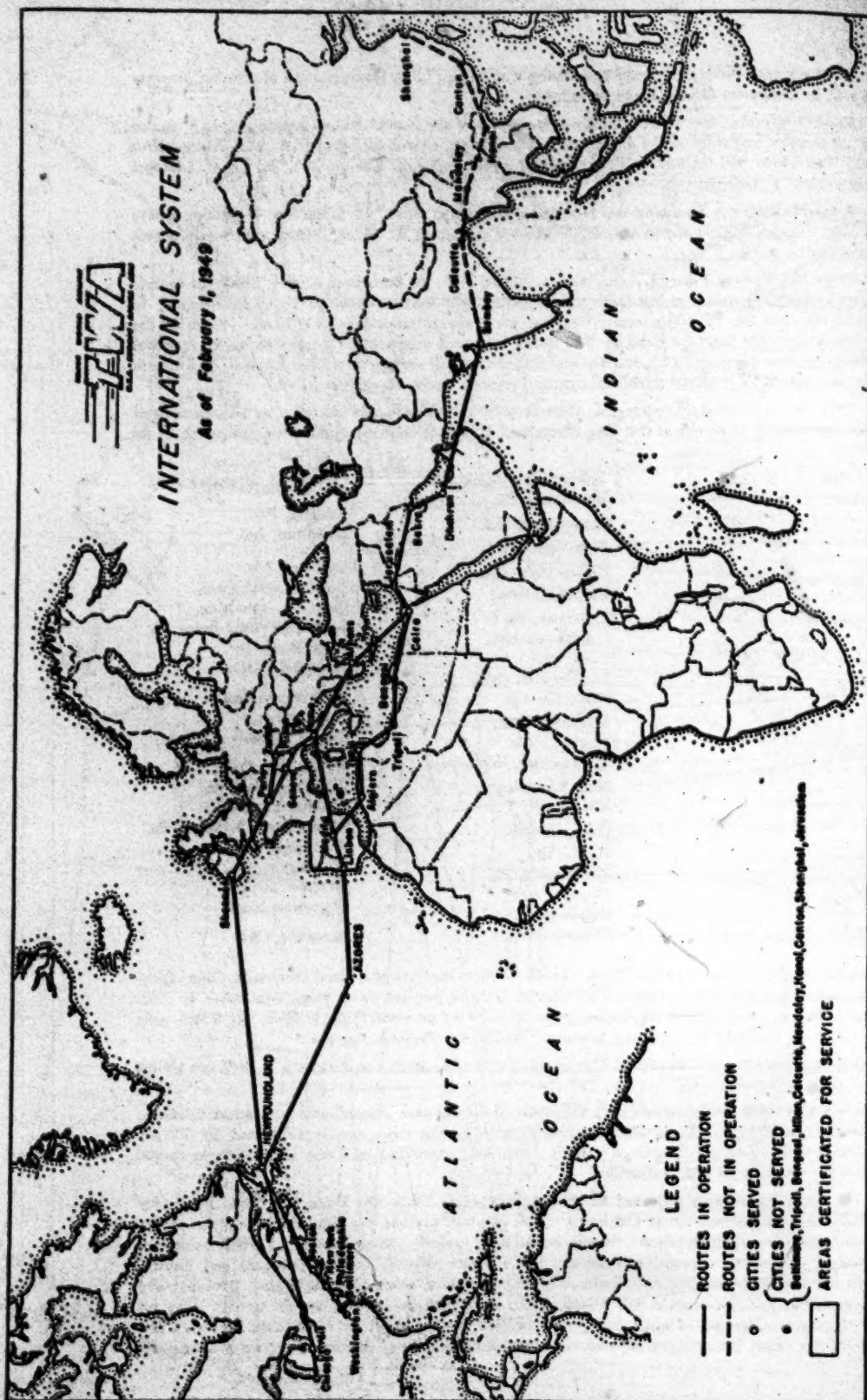
Albany, N. Y.	Hannibal, Mo./Quincy, Ill.	Quincy, Ill./Hannibal, Mo.
Albuquerque, New Mex.	Harrisburg, Pa.	Reading, Pa.
Allentown/Bethlehem, Pa.	Indianapolis, Ind.	Richmond, Ind.
Amarillo, Tex.	Johnstown, Pa.	
	Kansas City, Mo.	St. Louis, Mo.
Baltimore, Md.	*Kingman, Ariz.	San Francisco, Calif.
Bethlehem/Allentown, Pa.	*Lancaster, Pa.	Santa Fe, New Mex.
*Binghamton, N. Y.	Las Vegas, Nev.	Scranton/Wilkes-Barre, Pa.
Boston, Mass.	*Lima, Ohio	South Bend, Ind.
Boulder City, Nev.	Los Angeles, Calif.	Springfield, Ohio
	Louisville, Ky.	
Chicago, Ill.	Mansfield, Ohio	Terre Haute, Ind.
Cincinnati, Ohio	*Marion, Ohio	Toledo, Ohio
Cleveland, Ohio	*Morgantown, West Va.	Topeka, Kans.
*Columbia, Mo.	New York, N. Y.	
Columbus, Ohio	Newark, N. J.	Washington, D. C.
	Oakland, Calif.	Wheeling, West Va.
Dayton, Ohio	Peoria, Ill.	Wichita, Kans.
Detroit, Mich.	Philadelphia, Pa.	Wilkes-Barre/Scranton, Pa.
	Phoenix, Ariz.	Williamsport, Pa.
*Findlay, Ohio	Pittsburgh, Pa.	Wilmington, Del.
Fort Wayne, Ind.	Prescott, Ariz.	Winslow, Ariz.
Fresno, Calif.		Worcester, Mass.
		Zanesville, Ohio
Grand Canyon, Ariz.		

Authorization to serve Findlay, Lima, Mansfield, Marion, Springfield and Zanesville, Ohio, Richmond, Indiana and (on one segment) Fort Wayne, Indiana, expires on or about September 4, 1950. Authorization to serve Johnstown, Pennsylvania, expires on or about July 9, 1949. If TWA sells Route 38 it will no longer be authorized to serve Kingman and Prescott, Arizona.

The principal services provided by TWA's transcontinental system on February 1, 1949, are shown on the map at page 8.

TWA also holds authorizations from the states of Illinois and Pennsylvania to conduct intrastate operations in said states. These authorizations parallel, in the state, service authorized by TWA's Certificates, and require no separate operations. Intrastate operations of TWA are subject in certain respects to regulation by state authorities.

The Board has recently approved an agreement between TWA and Delta Air Lines, Inc. under which by exchange of aircraft at Cincinnati, Ohio, the two carriers are providing one-plane service over parts of their respective routes. Service began June 1, 1948. As of February 1, 1949, equipment interchange service was operated between the TWA points Detroit, Toledo, Columbus and Dayton, and the Delta points Lexington, Ky., Chattanooga and Knoxville, Tenn., Atlanta, Macon, Savannah and Brunswick, Ga., and Jacksonville and Miami, Fla. Equipment interchange by air carriers is as yet relatively untried. However, TWA's management believes that the equipment interchange between TWA and Delta Air Lines, Inc. will provide a service superior to the former connecting service at Cincinnati.



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International

On July 5, 1945, TWA was granted a temporary Certificate, expiring July 4, 1952, authorizing it to engage in international air transportation of persons, property and mail. Under this Certificate, as amended to February 1, 1949, TWA is authorized to provide service between seven co-terminal points in the United States (Baltimore, Boston, Chicago, Detroit, New York, Philadelphia, and Washington, all of which are served by TWA's transcontinental system) and the countries or parts thereof and specifically designated cities named below:

Countries	Designated Cities
Algeria	Calcutta, India
Ceylon	Canton, China
Egypt	Hanoi, French Indo-China
Eire	Mandalay, Burma
France (except Marseille)	Shanghai, China
Greece	
India (south of 20th parallel of latitude)	
Iraq	
Italy	
Libya	
Newfoundland	
Oman	
Palestine	
Portugal	
Saudi Arabia	
Spain (except Barcelona)	
Switzerland	
Trans-Jordan	
Tunisia	
Yemen	

At February 1, 1949, TWA's international system was operating more than 18,000 route miles and was serving twenty-two cities, including six of the seven co-terminal points in the United States.

The principal services provided by TWA's international system on February 1, 1949, are shown on the map at page 10.

The international air transportation operations of TWA are for the most part carried on pursuant to bi-lateral air transport agreements between the United States and the respective countries served. Such agreements may be terminated upon varying periods of notice as provided therein. TWA is required also to comply with the laws and regulations of these countries. Service has been temporarily suspended at Jerusalem, Palestine, because of unsettled conditions in the Middle East and at Tripoli, Libya, because of airport conditions. TWA commenced service to Zurich, Switzerland, January 17, 1949. Service has not been inaugurated to Trans-Jordan, Yemen, Oman or to points east or south of Bombay, and no forecast can be made at present as to the date any of such services may be inaugurated.

Conditions on Certificates

Each of TWA's Certificates was issued subject to the provisions of Title IV of the Act and the orders, rules and regulations issued thereunder. TWA's Certificate for international air transportation is also conditioned upon its conducting its operations in accordance with all treaties and agreements between the United States and other countries. Certain of TWA's Certificates contain provisions restricting the service to be provided thereunder in varying ways, i. e., prohibiting service of two or more designated points on the same flight; requiring flights serving certain designated points to originate or terminate at or beyond other designated points; and prohibiting certain non-stop service.

Copies of TWA's Certificates are filed as Exhibits 3a through 3d, and the authorizations of the states of Illinois and Pennsylvania as Exhibits 3e and 3f, to the registration statement. Reference is hereby made to such Exhibits for the detailed provisions thereof, and the statements with regard thereto in this prospectus are qualified in their entirety by such reference.

Proceedings before Regulatory Authorities

TWA has presently pending various applications to the Board affecting its Certificates and is a party to other proceedings before the Board relating to various matters incident to its Certificates and operations. Certain other air carriers have filed applications with the Board for routes and other relief, the granting of which would, in some cases, establish additional air transportation facilities competitive in varying degrees with those furnished by TWA. In those cases where TWA deems it advisable to protect its interests it has intervened for the purpose of opposing such applications. TWA is unable to forecast the outcome of any of these pending proceedings.

Some of these pending proceedings are described above under the subcaption "Routes", and below under the subcaptions "Air mail", "Air freight", "Relations with Hughes Tool Company", and "Other Recent Developments".

Business

Passenger service

The transportation of passengers, including charges for transporting passengers' excess baggage, provides the chief source of TWA's revenue. This revenue has increased substantially over the past ten years, due generally to increased acceptance of air transportation, expansion of service to new communities, and purchase and operation of high-speed, four-engine Constellation aircraft.

At February 1, 1949, TWA was operating, on its transcontinental system, one hundred and eight passenger flights daily, of which twenty-four traveled from coast to coast. At the same date it was operating thirty-four international passenger flights per week, of which eighteen originated or terminated at Cairo, six at Paris, six at Bombay and four at Rome. All thirty-four flights originated or terminated in the United States. The number of flights is increased or decreased from time to time to meet traffic demands.

On January 1, 1942, fares for TWA's transcontinental system were constructed (except for competitive fares, discounts, excursion rates and reductions for similar reasons) on the basis of a rate of 5.8¢ per mile. TWA progressively reduced this basic rate to 4.65¢ per mile on August 20, 1945, an over-all reduction of nearly 20%. With the cessation of hostilities, the trend to lower fares was reversed as costs increased. The passenger fare structure in the air transport industry in the United States is comparatively unstable at the present time, and no well-defined passenger fare pattern presently exists. While TWA's basic rate was revised on September 1, 1948, to a slightly higher level than that prevailing on January 1, 1942, a variety of competitive fares, round-trip discounts, excursion rates, and other special fare reductions, some of an experimental character, are in effect, offsetting to an indeterminate extent the increase in the basic rate. A number of these reductions are promotional in nature, designed to encourage travel during "off" periods, as, for example, certain days of the week, or, generally, during the slack winter months. Early in February, 1949, TWA began operating a so-called "sky coach" service between Kansas City and west coast points at rates approximating 4¢ per mile.

Passenger fares on TWA's international system are ordinarily fixed in accordance with unanimous agreements of the airlines participating in the Traffic Conferences of the International Air Transport Association, the agreements so arrived at being subject to approval by the Board for the United States and by the other interested governments. Basic rates have been substantially higher than on TWA's transcontinental system. Various excursion and other special reduced rates are in effect on the international system.

The tabulation on pages 16 and 17 sets forth data with respect to TWA's passenger service (excluding charter flights), as reported to the Civil Aeronautics Board.

The air transportation industry competes for passenger business with railroads, bus lines, and steamship lines, which, in general, provide a slower service at lower fares. In the past, established ground transportation media have had a broader public acceptance than was the case for the much newer air transportation. This condition has gradually changed, and the increase in acceptance of air transportation during the war years was particularly marked. The following table compares the passenger miles carried by air transportation, by first-class (Pullman) rail service, and by rail coach service (other than commutation) in the continental United States during the ten years from 1938 through 1947, but no representation is made that the decline in rail passenger miles since the war is the result of competition between air and rail transportation:

Year	Passenger miles—air* (Billions)	Passenger miles—First-class rail** (Billions)	Passenger miles—Rail coach† (Billions)	Percentage of Air to First-class Rail	Percentage of Air to Rail coach†	Percentage of Air to Total Rail†
1938	.48	7.35	10.21	6.5	4.7	2.7
1939	.68	7.53	11.12	9.0	6.1	3.6
1940	1.05	7.29	12.48	14.4	8.4	5.3
1941	1.39	9.17	16.10	15.2	8.6	5.5
1942	1.42	17.85	31.06	8.0	4.6	2.9
1943	1.63	24.67	57.91	6.6	2.8	2.0
1944	2.18	26.94	63.29	8.1	3.4	2.4
1945	3.36	26.91	59.42	12.5	5.7	3.9
1946	5.95	49.84	39.00	30.0	15.3	10.1
1947	6.06	12.26	27.67	49.4	21.9	15.2

* CAA Statistical Handbook, 1945, and annual airline statistics—Civil Aeronautics Board, 1938 through 1947.

** Interstate Commerce Commission Annual Report on Statistics of Railways in the United States. Interstate Commerce Commission—statement No. M-250.

† Other than commutation.

In the years 1942 through 1945 there was a shortage of transport aircraft. TWA, for example, turned over 16 of its 41 aircraft to the United States as well as all aircraft on order. Aircraft turned over included all TWA's four-engine aircraft. Other air carrier fleets were similarly reduced. The management of TWA expects that TWA's passenger service will continue to be competitive with railroad-Pullman service and first-class passenger service on steamships, and to some extent with other classes of rail and steamship transportation.

Many of the air carriers operating under Certificates in the United States (herein sometimes called certificated air carriers) compete with TWA's transcontinental system. In performing its duties under the Act, the Civil Aeronautics Board is, among other things, required to consider competition to the extent necessary to assure the sound development of an air transportation system properly adapted to the needs of the foreign and domestic commerce of the United States, of the postal service and of the national defense, as being in the public interest and in accordance with the public convenience and necessity. The air route pattern in existence in the United States when the Board took jurisdiction thereof was already competitive, and under the Board's administration of the Act competition has steadily increased, until almost all heavily traveled route segments are served by more than one air carrier. TWA's international system is competitive with two American-flag air carriers over the north Atlantic. It is also competitive with foreign-flag air carriers over the north Atlantic and east of Paris and Lisbon competes on various segments of its route with one or more foreign-flag airlines.

A class of air carriers (herein called irregular air carriers) which are entitled, under the regulations of the Board, to operate on a non-scheduled basis without a Certificate also compete with TWA's transcontinental system. Not being required to operate on schedule or to serve any particular route, irregular air carriers have been able to operate where traffic is densest and to arrange for departures when a full or nearly full load is available. Operating in this manner, and with standards of service different from those of certificated air carriers, irregular air carriers have provided transportation at rates substantially below the rates of the certificated air carriers. In 1947 the Board subjected irregular air carriers to some of the regulations affecting certificated air carriers and prohibited the former from carrying passengers in international operations. On August 6, 1948, the Board instituted a general investigation of the operations of these irregular air carriers. In the opinion of TWA's management the operations of these irregular air carriers have diverted a substantial amount of passenger traffic from certificated air carriers.

Since the war, the Board has issued temporary Certificates to a number of corporations authorizing service, on an experimental basis, to small cities and towns which, for the most part, had not previously had air transportation service. The competitive effects of the operations of these new air carriers (called feeder lines) is not yet apparent. Charter operations by certificated air carriers and others also compete to some extent with TWA's transcontinental and international services.

In 1947 TWA's transcontinental system ranked fourth in passenger miles flown among certificated air carriers operating in the United States, and third among the four certificated air carriers operating a transcontinental service. In the years 1938 through 1947 TWA's percentage of the revenue passenger miles flown by all certificated air carriers (other than feeder lines) operating in the United States has not in any year been lower than 12% or higher than 16%. In 1947 it was approximately 12.5%.

In 1947 TWA's international system ranked second in revenue passenger miles flown among the three American-flag air carriers operating over the north Atlantic. According to statistics published by the Civil Aeronautics Board, TWA carried 17.85% of the transatlantic passengers carried into or out of New York City by all United States and foreign scheduled air carriers during the year 1947. On this basis TWA ranked third among the three American-flag air carriers operating over the north Atlantic and ahead of each of the foreign-flag air carriers. Since only limited traffic statistics for TWA's foreign-flag competitors are available, TWA's relative position or importance with respect to such competitors cannot be determined. However, the management believes that TWA is an important competitive factor in the area it serves.

Air mail

TWA is required, under each of its Certificates, to provide adequate facilities and service for the transportation of United States mail and is entitled to receive reasonable compensation therefor. Such compensation is TWA's second most important source of revenue. TWA has carried air parcel post on its international system since March 15, 1948, and on its transcontinental system since September 1, 1948. Compensation for this service is on the same basis as air mail.

The volume of air mail carried by TWA's transcontinental system has increased very substantially since 1938 although the exceptionally high volume attained during the later war years has not been maintained. Air mail revenue for the transcontinental system has increased more gradually and dropped sharply after the war. The rate of air mail pay has also declined, though the downward trend appears to have been halted, at least for the moment. Prior to January 1, 1943 TWA was allowed a different rate for each of the five routes it then operated. On January 1, 1943 a system rate equivalent to 60¢ per ton mile became effective. On January 1, 1945 a lower rate of 45¢ per ton mile became effective.

On March 14, 1947, TWA filed a petition with the Board setting forth TWA's critical financial condition at that time and requesting immediate action to increase the existing rate of air mail pay for the transcontinental system effective January 1, 1946. The Board, on December 2, 1947, dismissed the part of the petition requesting an increase in air mail pay prior to the date of filing the petition on the ground that it lacked power to consider an increase prior to the date of the petition. The Board's decision was upheld by the Court of Appeals of the District of Columbia on August 2, 1948. The Supreme Court of the United States consented to review the decision and heard argument early in February, 1949.

The Board's decision did not affect TWA's petition insofar as it requested an increase in air mail pay on and after March 14, 1947. On March 29, 1948, the Board tentatively concluded that the rate of 45¢ per ton mile in effect since January 1, 1945 was a fair and reasonable rate of air mail pay for TWA's transcontinental system through December 31, 1947, and that on and after January 1, 1948, fair and reasonable permanent rates for TWA's transcontinental system should be on a sliding scale of 75¢ per ton mile for the first 2,500 ton miles per day, 70¢ per ton mile for the next 2,500 ton miles per day, with a further reduction of 5¢ per ton mile for each additional 5,000 ton miles per day, the lowest rate being 40¢ per ton mile for ton miles over 30,000 per day.

The Board directed TWA to show cause (1) why such rates should not be placed in effect on a permanent basis on and after January 1, 1948, and (2) why such rates should not be placed in effect on a temporary basis on and after January 1, 1948. TWA accepted the new rates on a temporary basis. Accordingly, the Board, on May 7, 1948, established the temporary rates of air mail pay above set forth for TWA, effective January 1, 1948. Under these rates TWA received an average of approximately 61¢ per ton mile of air mail carried on its transcontinental system for the first eleven months of 1948. TWA has filed objection to the failure of the Board to establish the new temporary rates as of March 14, 1947, however, and action by the Board on this objection is still pending.

TWA objected to the Board's conclusion that the rates set forth above should be the permanent rates of air mail pay on and after January 1, 1948. Therefore, in accordance with the regulations of the Board and the requirements of the Act a hearing will be held to determine the fair and reasonable permanent rates of compensation for the carriage of mail by TWA's transcontinental system on and after March 14, 1947. TWA does not know when the permanent rates for the transportation of mail on its transcontinental system will be fixed or what such rates will be when fixed. Such rates may be lower or higher than the present temporary rates.

No permanent rate of air mail pay has ever been fixed for TWA's international system. Since the inauguration of international service on February 5, 1946, TWA has been receiving compensation at temporary rates fixed by a series of orders of the Board. Each of these orders specifically provides that the proceeding relating to international air mail rates shall remain open pending entry therein of an order fixing final rates retroactive to such date as the Board may determine, which final rates may be lower or higher than the temporary rates fixed therein.

TWA has, on a number of occasions, requested the Board to fix a temporary rate of air mail pay for its international system at \$1.00 per revenue airplane mile. Under the Board's orders to date, TWA has received, for the period from February 5, 1946, through June 30, 1947, 40¢ per revenue airplane mile; for the period from July 1, 1947, through December 31, 1947, rates based on ton miles of air mail flown over part of the international system and on revenue airplane miles flown over the remainder, which (according to TWA's calculations) produced approximately 21¢ per revenue airplane mile; for the period from January 1, 1948, through November 30, 1948, the sum of \$8,542,000, estimated by TWA to be equivalent to approximately 85¢ per revenue airplane mile; and after November 30, 1948, a basic rate of 85¢ per revenue airplane mile.

This basic rate of 85¢ per revenue airplane mile is subject to modification, depending upon the amount of mileage scheduled per day. The temporary air mail pay rate of approximately 85¢ per revenue airplane mile from January 1, 1948, was fixed by the Board on December 22, 1948. Prior to such order, the temporary rate from January 1, 1948, was approximately 60¢ per revenue airplane mile. The

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Board's award of \$8,542,000 for the period January 1, 1948, through November 30, 1948, was approximately \$2,670,900 in excess of the air mail pay receivable by TWA for that period at the 60¢ rate. For the purposes of the foregoing rates, revenue airplane miles are miles flown on schedules designated by the Postmaster General for the carriage of air mail. TWA does not know when a permanent rate of air mail pay will be fixed for its international system either for the past period or for the future, or what such rate will be when fixed.

TWA also carries air mail for certain foreign governments on its international system. Most of this mail travels westbound, to the United States. Payments for such carriage are ordinarily advanced by the United States government, but are recoverable from TWA if not collected from the foreign governments.

The tabulation on pages 16 and 17 sets forth data with respect to TWA's air mail service, as reported to the Civil Aeronautics Board.

United States air mail is divided among air carriers in accordance with rules prescribed by the Post Office Department. However, time of departure of flights and flying time affect the distribution of mail loads and there is competition for mail loads within the limits of the Post Office rules. As the air route pattern has become more competitive, a larger portion of available air mail has become subject to such competition.

From 1938 through 1947, TWA's transcontinental system has not, in any year, flown more than 25% nor less than 16% of the total ton miles of United States air mail flown by certificated air carriers (other than feeder lines) operating in the continental United States. In 1947 it flew approximately 23%. Of the total ton miles of air mail flown in 1947 over the north Atlantic routes of the three American-flag air carriers authorized to operate such routes, TWA flew approximately 42% of the United States air mail and approximately 48% of the foreign air mail.

Air express

TWA has for many years derived a portion of its total revenue from the transportation of air express on its transcontinental system under contract with Railway Express Agency, Incorporated. Under this contract, Railway Express Agency, Incorporated performs ground services, including pick-up and delivery, and TWA provides air transportation. After deducting the direct costs of Railway Express Agency, Incorporated from gross revenues, the balance is divided, 87½% being paid to TWA and 12½% being retained by Railway Express Agency, Incorporated. Railway Express Agency, Incorporated has similar contracts with the principal certificated air carriers operating in continental United States. Under such contracts air express rates are determined by the air carriers.

On September 8, 1948, the Board, in the *Air Freight Forwarder Case* (Docket 681 et al.), ordered Railway Express Agency, Incorporated to negotiate new contracts with the certificated air carriers with which it had contracts, as above described, pursuant to which Railway Express Agency, Incorporated would fix air express rates and the air carriers would provide air express transportation to Railway Express Agency, Incorporated at charges to be agreed upon, subject to Board approval. The Board directed Railway Express Agency, Incorporated to submit to the Board within six months any agreements which might be entered into as the result of such negotiations. TWA and other certificated air carriers have appealed from the Board's order.

TWA also carries air express on its international system, making its own arrangements for pick-up and delivery service. The contract with Railway Express Agency, Incorporated does not apply to such service.

In 1947 TWA's transcontinental system carried about nineteen times as many ton miles of air express as in 1938 and received about twelve times as much air express revenue. However, in both years air express revenue on the transcontinental system was less than 3% of TWA's total operating revenue.

On January 1, 1942, TWA's basic rate for air express on its transcontinental system was 80¢ per ton mile. This rate was reduced to 70¢ on July 15, 1943 and to 61.4¢ on January 1, 1946. The latter is the present basic rate. TWA's international air express rates have also been reduced. The basic rate over the north Atlantic was established at \$1.15 per ton mile on July 31, 1946, has been reduced several times, and since April 1, 1948 has been 60¢ per ton mile for less-than-one-hundred-pound shipments and 45¢ per ton mile for shipments of one hundred pounds or more. Basic rates between points in Europe, Asia and Africa have also been reduced.

The tabulation on pages 16 and 17 sets forth data with respect to TWA's air express service, as reported to the Civil Aeronautics Board.

TWA Statistical Data*
(As reported to the Civil Aeronautics Board)

**Twelve Months
Ending December 31, 1949**

FINANCIAL

Operating Revenue—Dollars (000's omitted)

Passenger and Excess Baggage:

Transcontinental	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938
International	\$49,628	\$42,398	\$35,284	\$33,284	\$24,122	\$27,261	\$11,118	\$19,808	\$10,375	\$ 7,599	\$ 5,146	\$2,735
Total	21,628	20,284	11,854	—	—	—	—	—	—	—	—	—

Air Mail:

Transcontinental—U. S.	5,201	3,416	2,921	2,653	7,257	5,653	4,291	3,628	3,050	2,118	2,806(A)	2,221(A)
International	8,789	2,977	1,734(A)	—	—	—	—	—	—	—	—	—
—Foreign	2,319	2,256	2,244	—	—	—	—	—	—	—	—	—

Air Express:

Transcontinental	1,865	1,936	1,483	1,618	1,994(B)	1,618	1,539	1,296	422	309	223	160
International	2,255	2,184	961	—	—	—	—	—	—	—	—	—

Air Freight:

Transcontinental	1,722	1,148	867	36(B)	—	—	—	—	—	—	—	—
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Other(C):

Transcontinental	425	432	180	141	198	198	225	142	68	77	103	103
International	746	870	1,461	—	—	—	—	—	—	—	—	—
Total	\$96,638	\$74,671	\$57,949	\$33,705	\$25,273	\$19,166	\$14,017	\$11,585	\$11,585	\$ 8,302	\$ 8,302	\$6,221

Operating Revenue—Percent

Passenger and Excess Baggage:

Transcontinental	51.36	53.98	60.75	71.75	70.67	68.55	67.85	69.35	71.85	69.35	62.59	60.04
International	21.48	26.63	19.62	—	—	—	—	—	—	—	—	—

Air Mail:

Transcontinental—U. S.	5.38	4.35	5.64	21.47	22.57	22.59	22.65	27.45	21.71	27.45	33.80(A)	35.73(A)
International	9.10	3.79	2.99(A)	—	—	—	—	—	—	—	—	—
—Foreign	2.40	2.57	3.67	—	—	—	—	—	—	—	—	—

Air Express:

Transcontinental	1.96	2.47	2.28	5.02(B)	6.40	8.03	8.09	2.61	3.43	2.61	2.69	2.57
International	2.53	2.78	1.56	—	—	—	—	—	—	—	—	—

Air Freight:

Transcontinental	1.78	1.46	1.01	11(B)	—	—	—	—	—	—	—	—
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Other(C):

Transcontinental	44	55	31	45	56	1.03	1.41	1.01	1.01	1.01	1.01	1.66
International	37	1.12	2.67	1.16	—	—	—	—	—	—	—	—
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

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Operating Revenue—Dollars Per Unit(D)		Fiscal Year										
Passenger revenue per revenue passenger mile:		November 30, 1949**										
Transcontinental		8576	8512	8467	8533	8529	8506	8509	8516	8514		
International		8922	8915	8977	—	—	—	—	—	—		
Air Mail revenue per ton mile:												
Transcontinental—U. S.		3899	4491	4463	4464	4463	4464	4463	4464	4463	1,564(A)	1,684(A)
International—U. S.		3,301	1,221	1,240(A)	—	—	—	—	—	—	—	—
—Foreign		2,472	2,803	4,714	—	—	—	—	—	—	—	—
Air Express revenue per ton mile:												
Transcontinental		3250	3546	3789	4513(B)	4580	5132	5407	5285	5803	5899	5614
International		5660	7172	9985	—	—	—	—	—	—	—	—
Air Freight revenue per ton mile:												
Transcontinental		1815	2333	2648	3762(B)	—	—	—	—	—	—	—
OPERATIONS (000's omitted)(D)												
Revenue Passengers:												
Transcontinental		1,224	1,067	885	556	393	323	318	351	258	163	114
International		80	67	33	—	—	—	—	—	—	—	—
Revenue Passenger Miles:												
Transcontinental		850,644	817,884	744,291	513,039	347,841	242,003	201,784	202,483	155,096	99,651	71,775
International		248,165	220,418	108,707	—	—	—	—	—	—	—	—
Available Seat Miles Flown:												
Transcontinental		1,447,269	1,233,976	888,056	568,303	379,535	271,237	283,236	344,437	268,604	200,701	158,029
International		432,089	289,656	124,430	—	—	—	—	—	—	—	—
Revenue Passenger Load Factor (Percent):												
Transcontinental		58.78	66.28	83.81	90.28	91.65	89.22	71.34	58.79	57.74	49.65	45.42
International		57.44	76.10	87.36	—	—	—	—	—	—	—	—
Air Mail Ton Miles:												
Transcontinental—U. S.		8,817	7,607	6,545	16,211	9,404	7,607	3,839	2,490	1,997	1,427	1,120
International—U. S.		2,656	2,438	1,388	—	—	—	—	—	—	—	—
—Foreign		908	777	476	—	—	—	—	—	—	—	—
Air Express Ton Miles:												
Transcontinental		5,831	5,460	3,940	4,418(B)	3,333	2,999	2,397	912	517	378	285
International		3,964	3,045	940	—	—	—	—	—	—	—	—
Air Freight Ton Miles:												
Transcontinental		9,486	4,920	2,217	101(B)	—	—	—	—	—	—	—

* From time to time changes have been made in the method of computing statistical data shown on this tabulation, which accordingly does not show data on a completely comparable basis from year to year. Resulting variations in the data shown are considered to be immaterial for the purpose of describing TWA's business. The tabulation does not include data for subsidiaries.

** Data for the period January 1, 1948, through November 30, 1948, have not been audited and may be revised as a result of audit.

(A) Adjusted to include additional air mail pay applicable to such year but received in the following year, and credited to earned surplus (and so reported to the Board) in the year received, as follows: 1938—\$24,797; 1939—\$401,309; 1940—\$686,761.

(B) Air Freight not segregated from Air Express prior to July 1, 1945.

(C) Includes revenue from charter flights.

(D) Does not include revenue or other data from charter flights.

Competitive conditions affecting TWA's air express service are similar to those described above with respect to its passenger service, except that as respects air express service on its transcontinental system, shipments are divided by Railway Express Agency, Incorporated among the competing air carriers having contracts with that corporation similar to TWA's contract, described above, on the basis of the considerations specified in such contracts. Irregular air carriers also compete with TWA's international system for air express shipments. From 1938 through 1947 TWA has never in any year flown less than 13% nor more than 21% of the air express ton miles flown by certificated air carriers (other than feeder lines) operating in the continental United States. In 1947 it flew approximately 18%. Of the total ton miles of air express flown in 1947 over the north Atlantic routes of the three American-flag air carriers authorized to operate such routes, TWA flew approximately 34%.

Air freight

Near the end of the war TWA and other certificated air carriers reinstated their pre-war programs of developing air freight services in an effort to attract shipments of commodities in bulk. Air freight is transported on passenger-carrying aircraft or on cargo aircraft which may also carry air mail and air express.

TWA's first air freight tariff filed with the Board became effective July 1, 1945. In an effort to develop a large volume of air freight and to meet the competition of other air carriers, particularly irregular air carriers operating without Certificates, rates were progressively lowered.

In 1947 the Board commenced an investigation of air freight rates and included in such investigation consideration of certain tariffs which reduced rates on specific commodities to approximately 13¢ per ton mile. On April 21, 1948, the Board determined to fix minimum air freight rates in the *Air Freight Rate Case* (Docket 1705 *et al.*). As modified June 2, 1948, the minimum air freight rates are 16¢ per ton mile for the first 1000 ton miles of any one shipment and 13¢ per ton mile for all ton miles in any one shipment in excess of 1000 ton miles. Application may be made to the Board for approval of lower rates in special circumstances and some approvals have been given. TWA has established rates applying to specific commodities between a number of domestic points which approximate 16¢ per ton mile.

The tabulation on pages 16 and 17 sets forth data with respect to TWA's air freight service, as reported to the Civil Aeronautics Board.

The competitive situation in the air freight field is similar to that described above with respect to TWA's passenger service on its transcontinental routes. Irregular air carriers compete for air freight business. The Board, by regulations effective June 10, 1947, classified as non-certificated cargo carriers certain irregular air carriers of cargo only, which were engaged on May 5, 1947, in carrying property by air and had applied to the Board for a Certificate authorizing such air transportation. Under the Board's regulations, non-certificated cargo carriers are permitted to continue operations until sixty days after final disposition of their respective applications for Certificates. Operations of each non-certificated cargo carrier are limited to points to or from which it had provided service (on other than a casual, occasional or infrequent basis) at any time during the twelve-month period ended May 5, 1947, if it had applied for a Certificate to serve such point or the region in which the point is located. The Board has heard argument on many of the applications of non-certificated cargo carriers in the *Air Freight Case* (Docket 810 *et al.*) but has not as yet rendered any decision. In the *Air Freight Forwarder Case*, mentioned above, the Board also exempted certain freight forwarders from the necessity of obtaining a Certificate before engaging in freight forwarder activities. TWA and other certificated air carriers have appealed from the Board's order.

In the *Air Freight Rate Case*, mentioned above, the Board related the minimum freight rates it fixed to the costs of the non-certificated cargo carriers and disregarded the contentions of TWA and other certificated air carriers that they could carry freight cheaper on a combined passenger-cargo operation than the non-certificated cargo carriers could on an operation carrying cargo only.

The air freight business has been expanding rapidly. Among certificated air carriers operating in the United States TWA ranked third in 1947 in ton miles of air freight flown, its share of the ton miles flown in that year by certificated air carriers operating in the United States being approximately 12%. However, very substantial amounts of air freight were flown by non-certificated cargo carriers in that year.

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Miscellaneous

TWA also performs miscellaneous services for others, including particularly the operation of charter flights on a non-scheduled basis and the maintenance and modification of aircraft. Revenue from these services has exceeded 2% of TWA's total operating revenue in only one of the years from 1938 through 1947 and in that year, 1946, was slightly more than 3%. In 1946 TWA operated a substantial number of charter flights during the period when it was inaugurating its international service and also performed a considerable amount of modification of aircraft for foreign air carriers.

Earnings

TWA's earnings for the ten years and seven months ended July 31, 1948, and the eleven months ended November 30, 1948 (subject to audit and year-end adjustments) are set forth under the caption "Summary of Consolidated Operations" on page 6. Consolidated operating revenue for the eleven months ended November 30, 1948, giving effect to additional air mail pay for the international system awarded December 22, 1948, was approximately \$89,461,000, and net loss for the same period was approximately \$2,956,000. Prior to final month and year-end adjustments, preliminary results for December indicate a small net income for that month. The management estimates that December results and adjustments (of the usual year-end type) will result in loss for the full year 1948 at least \$400,000 less than the eleven months loss. The management knows of no year-end adjustments which would have a material effect of an adverse nature on the results for the year or the financial condition at the end of the year.

In the past, TWA's traffic has been subject to seasonal decline in the winter months. On the basis of preliminary traffic statistics for January, 1949, the management anticipates a substantial loss for that month. Losses may also be incurred in the months immediately following. No representations are made as to the dollar amounts of any such losses, or as to the results of operations in succeeding months.

TWA had substantial earnings during the war years, when a shortage of transportation facilities coupled with an immense demand for transportation permitted near-capacity operation. Since the war substantial losses have been incurred. Costs have increased. Introduction of new equipment and development of new routes, both at home and abroad, have been expensive, and with the introduction of additional equipment and increased competition from other air carriers, load factors have declined. The grounding of all Constellation aircraft and a pilots' strike, both of which occurred in 1946, increased TWA's losses for that year. A stringent economy program has been inaugurated, intensive efforts to increase efficiency have been made, and passenger fares have been increased moderately, but these efforts have not completely offset the influences which have contributed to losses.

The following tabulation shows TWA's operating revenue and operating income or (loss), excluding subsidiaries and before non-operating income or charges, for the transcontinental and international systems, separately, for the months from January 1947 through November 1948, as reported to the Civil Aeronautics Board. Certain functions are performed jointly for both transcontinental and international systems and the expenses of such functions are allocated between the two systems by methods deemed by the management to be reasonable, but these methods have been changed from time to time during the period covered by the tabulation. The following figures include items of additional income

and expense applicable in whole or in part to prior months. The notes given below indicate certain non-recurring or unusual items of special significance.

	Transcontinental		International		Total	
1947	Operating revenue	Operating income or (loss)	Operating revenue	Operating income or (loss)	Operating revenue	Operating income or (loss)
Jan. _____	\$2,646,829	\$(1,472,870)	\$1,326,951	\$(637,069)	\$ 3,973,781	\$(2,109,939)
Feb. _____	2,434,552	(1,719,322)	1,336,604	(679,468)	3,771,157	(2,398,790)
Mar. _____	3,222,009	(345,897)(C)	1,805,800	(434,547)	5,027,809	(780,445)(C)
Apr. _____	3,900,361	(384,329)	2,168,362	88,337	6,077,723	(295,991)
May _____	4,308,081	225,123	2,475,472	19,581(D)	6,873,554	244,705(D)
June _____	4,726,994	182,785	2,773,564	126,849	7,500,468	309,635
July _____	4,309,739	(155,605)	2,984,723	79,363	7,354,474	(76,241)
Aug. _____	4,889,009	27,822(C)	3,138,686	510,292	8,027,695	538,215(C)
Sept. _____	4,964,536	426,049	3,103,761	320,893	8,068,298	746,942
Oct. _____	4,739,393	77,132	3,312,639(B)	377,140	8,052,033(B)	454,272
Nov. _____	4,230,653	(448,485)	2,279,918(B)	(362,857)	6,510,572(B)	(811,342)
Dec. _____	4,728,816	(1,239,900)(C)	2,474,935	(1,462,964)	7,233,752	(2,722,865)(C)
1948						
Jan. _____	4,406,845	(121,212)	1,874,168	(606,292)	6,280,213	(727,504)
Feb. _____	3,811,487	(629,465)	1,689,406	(836,462)	5,502,974	(1,465,928)
Mar. _____	4,854,349(A)	(481,570)	1,996,775	(815,975)	6,851,124(A)	(1,297,545)
Apr. _____	4,725,994	(449,216)	3,316,784(B)	339,275	8,042,778(B)	(109,940)
May _____	5,073,567	375,054(C)	2,956,618	(493,349)(C)	8,030,185	(118,294)
June _____	5,294,490	65,731	3,327,351	(51,302)	8,621,842	14,428
July _____	5,193,131	(632,333)(C)	3,479,516	(386,946)	8,663,647	(1,019,280)(C)
Aug. _____	5,408,088	578,336	3,525,209	273,151	8,933,213	851,507
Sept. _____	5,099,677	(70,324)	3,714,587	487,938	8,814,264	417,614
Oct. _____	5,463,482(E)	(141,355)	3,848,803	678,497	9,312,286(E)	537,141
Nov. _____	4,780,325(E)	(84,250)(C)	5,671,108(B)	2,621,799(D)	10,451,434(B)(E)	2,537,548(C)(D)

(A)—Includes retroactive increase in air mail pay of \$421,460 applicable to January-March, 1948.

(B)—Includes retroactive increases in air mail pay as follows: \$844,532 recorded in October, 1947, applicable to January-October, 1947; \$179,675 recorded in November, 1947, applicable to July-October, 1947; \$1,100,258 recorded in April, 1948, applicable to January-April, 1948; and \$2,678,564 recorded in November, 1948, applicable to January-November, 1948.

(C)—Includes \$906,707 reduction in rates of aircraft depreciation recorded in March, 1947, applicable to January-March, 1947; \$114,567 communications expenses for March-July, 1947, recorded in August, 1947; \$194,360 inventory adjustment for prior months added to operating expenses in December, 1947; \$115,247 of ticket agents' commissions (on sales of international system tickets previously charged to transcontinental system) deducted from transcontinental system, and added to international system, operating expenses in May, 1948; \$118,335 additional claim of California for sales and use taxes for August, 1933-June, 1948, added to operating expenses in July, 1948; and \$232,505 reflecting the value of cylinders removed from engines during overhaul and subsequently determined to be reusable and added to inventory, deducted from operating expenses in November, 1948, but applicable to prior months.

(D)—Includes \$141,630 amortization of international system development expense for January-April, 1947 (previously recorded in non-operating expenses) added to operating expenses in May, 1947; and \$61,805 reflecting the value of cylinders removed from engines during overhaul and subsequently determined to be reusable and added to inventory, deducted from operating expenses in November, 1948, but applicable to prior months.

(E)—Includes \$163,500 and \$163,518 passenger revenues for September, 1948, in October and November, 1948, respectively.

TWA's business has been and will continue to be affected by such matters as changes in the levels of general business activity and employment, costs and wages; competitive conditions; new developments in air and surface transportation; changes in taxation; federal and state legislation; orders of regulatory bodies; and political and economic conditions abroad.

Equipment

For many years TWA has participated in the development of new aircraft. As a result of this participation, TWA was the first to purchase and operate the Douglas DC-2 type aircraft. The Douglas DC-3 type aircraft, a development of the Douglas DC-2 type aircraft, later became standard equipment for TWA and other United States air carriers during the war, and is still in general use.

In July, 1940, TWA put into operation five Boeing 307's (Stratoliners), four-engine transports with pressurized cabins. TWA was the first air carrier in the continental United States to operate aircraft of this type. At the beginning of the war TWA sold these five Boeing 307's to the United States government and operated them in an overseas service for the Army Air Forces. TWA repurchased

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them, had them rebuilt and modernized by the manufacturer, and replaced them in service on its trans-continental system in April, 1945.

During the war years and immediately thereafter TWA purchased or leased a number of Douglas DC-3 and Douglas C-54 aircraft from agencies of the United States government. Such aircraft were modified for commercial operation to the extent necessary. TWA also purchased three Douglas C-54 aircraft from TACA Airways, S. A.

In 1939 TWA became interested in the development of a new four-engine aircraft which was to be larger and faster than the Boeing 307. This airplane, now known as the Constellation, was to be manufactured by Lockheed Aircraft Corporation (hereinafter sometimes called Lockheed), and TWA obtained contractual rights to a number of aircraft of this type. Manufacture of the Constellations was suspended for a time due to the war emergency and the government acquired TWA's rights to Constellation airplanes, subject to an option to repurchase. The option was exercised as to three of the aircraft, two of which were acquired for Hughes Tool Company as described below under the subsection "Relations with Hughes Tool Company".

In 1945 TWA contracted with Lockheed to purchase eighteen Model 049 Constellations and eighteen Model 649 Constellations, the latter being a later model. Payment for these airplanes was to be made in cash. In 1946 TWA contracted for thirteen additional Model 049 Constellations to be paid for partly in cash and partly in notes. Delivery of Model 049 Constellations began in 1945 and the aircraft were put in service by TWA as rapidly as possible.

Normally, when new aircraft are introduced into airline service, the full benefits therefrom are not obtained for some time. Operational experience is needed for economical and efficient maintenance, and actual operations in scheduled service usually disclose the need for modifications of the aircraft. As a result, operating expenses for new aircraft are ordinarily high during the initial period of operations, and the utilization of the aircraft is low. In the case of the Constellations (as in the case of several other new aircraft introduced in the United States since the war) this initial period was extended due to the fact that the aircraft were grounded for a time. On July 11, 1946, following the crash of a TWA Constellation being used for flight training, the Administrator of Civil Aeronautics suspended the airworthiness certificates for this type of aircraft and they were accordingly grounded until a substantial number of engineering modifications had been made. Constellation service was resumed as rapidly as the modification work could be completed and new airworthiness certificates obtained, the first modified aircraft being returned to service in September, 1946.

During a financial crisis which was precipitated by a strike of pilots in October and November of 1946, following the grounding of the Constellations, TWA determined not to complete purchase of the Constellations it had ordered. It had already taken delivery of the eighteen Model 049's ordered in 1945 and of five of the thirteen Model 049's ordered in 1946. It therefore cancelled its commitments for the remaining eight Model 049's and the eighteen Model 649's.

In March, 1947, TWA purchased four additional Constellations (Model 049) from Lockheed, the purchase price (except for a small cash payment on each aircraft) being paid in notes secured by a chattel mortgage on the aircraft.

In November, 1947, TWA contracted for twelve Constellations (Model 749) for delivery in 1948. The entire purchase price of these aircraft together with certain engines therefor (purchased from Wright Aeronautical Corporation) and propellers and propeller assemblies therefor (purchased from Curtiss-Wright Corporation), as well as a supply of spare parts for the aircraft, engines, propellers and propeller assemblies, was financed under a Credit Agreement, dated March 25, 1948, pursuant to which credit in the maximum amount of \$18,776,942.50 was made available to TWA to make the purchases indicated and to pay off the notes still outstanding with respect to the four Model 049 Constellations purchased in 1947 and the five Model 049 Constellations purchased in 1946. Notes evidencing the loans were secured by chattel mortgage on the nine Model 049 Constellations referred to, the twelve Model 749 Constellations purchased and the engines, propellers and propeller assemblies and spare parts for the twelve Model 749 Constellations. The Credit Agreement and chattel mortgage are described under the caption "Funded Debt—3% Promissory Notes".

Because of the expense involved it is TWA's present policy not to attempt to develop new aircraft, but rather to follow closely the efforts of aircraft manufacturers in that connection. Replacement of the present fleet of Douglas DC-3 aircraft operated by TWA depends upon the availability of a suitable replacement and the ability to finance the purchase. Studies have been and are being made of aircraft which might be used for such replacement.

The number and type of aircraft owned or operated under lease by TWA as of February 1, 1949, are shown in the table set forth under the caption "Property".

Relations with Hughes Tool Company

Hughes Tool Company, a Delaware corporation (hereinafter sometimes called Hughes), all the outstanding stock of which is owned by Howard R. Hughes, well-known industrialist, motion picture producer, aviator and aeronautical engineer, owns 1,486,523 shares of the Common Stock of TWA which is approximately 74% of the Common Stock outstanding. Hughes began purchasing Common Stock of TWA for investment in 1939 and by January 15, 1943 had acquired 440,050 shares, approximately 46% of the Common Stock then outstanding. 119,154 shares were purchased directly from TWA in March, 1940, and the balance was acquired on the open market and through investment firms. Prior to August 1, 1948, there was a net increase in the number of shares of TWA stock Hughes held to 452,100, which was further increased by the acquisition on or about August 24, 1948 of 1,034,423 shares upon the conversion of Subordinated Convertible 2 3/4% Notes as set forth below.

Hughes was and is primarily engaged in the manufacture of oil-well drilling equipment, but it had conducted some experimental work in aviation prior to the war, and during the war began manufacture of parts for military aircraft and the construction for the United States of certain experimental aircraft. Among other things, it had been interested in the development of Constellation-type aircraft and originally contracted with Lockheed for the manufacture of such aircraft, partly for the benefit of TWA. In 1942, Hughes assigned all its rights to such contracts to TWA in consideration of TWA's assumption of Hughes' obligations thereunder. TWA also paid \$2,500 for Hughes' expenses in connection therewith, and agreed to resell some of such aircraft to Hughes at cost.

By the provisions of the Civil Aeronautics Act, control of TWA by Hughes became subject to the approval of the Civil Aeronautics Board because of Hughes' other activities in aeronautics. Application for such approval was filed in 1943 and in 1944 the Board found the control consistent with the public interest and approved it on the condition that commercial transactions between the two companies be limited to items not exceeding \$200 in amount and totaling not more than \$10,000 per year. By subsequent proceedings the condition has been modified to remove any limits on transportation purchased by Hughes from TWA at regularly published rates; to permit TWA to repair Hughes' aircraft and sell aviation fuel to Hughes at prices charged by TWA to others; and to permit TWA to purchase certain radar units from Hughes, provided the price did not exceed cost or the price of similar sales by Hughes to any other airline, whichever is lower. Transactions between TWA and Hughes and its subsidiaries (excluding air transportation purchased by Hughes) have been as follows:

<u>Year</u>	<u>Due Hughes</u>	<u>Due TWA</u>
1944.....	\$ 0.00	\$ 0.00
1945.....	372.56	2,209.37
1946.....	1,312.30	6,778.44
1947.....	19,353.06	17,474.38
1948 (first eleven months)...	38,135.36	29,480.59

The foregoing tabulation does not include \$125,000, the price of two military-type Constellation aircraft which TWA repurchased from the United States government and resold to Hughes at cost, in July, 1946, pursuant to rights reserved by Hughes at the time it assigned its contracts for Constellation aircraft to TWA. Sale of these two aircraft was permitted by the order of the Board approving control of TWA by Hughes.

By agreement dated October 1, 1948, Hughes agreed to resell to TWA one of these aircraft and to sell an additional military-type Constellation aircraft which Hughes had acquired from Lockheed, the sales price to be Hughes' cost but not more than an average of \$545,000 per aircraft. Both aircraft have been converted, at Hughes' expense, to conform substantially with the Model 049 Constellation aircraft owned by TWA. The agreement, as amended by agreement dated December 1, 1948, provided for a conditional sale of the aircraft, title thereto to be retained by the seller until the purchase price of each aircraft is paid. Payment for each aircraft is to be made in monthly instalments of \$9,000 with interest on the unpaid balance at the rate of 3%. After the Board had amended its order approving control of TWA by Hughes to permit TWA to acquire these two aircraft the conditional sale agreement was signed as of February 1, 1949. Prior thereto the aircraft were used by TWA without charge. The purchase price of Model 049 Constellation aircraft acquired by TWA from Lockheed in March 1947 was approximately \$718,000 per aircraft.

Reference is hereby made to the agreement of October 1, 1948, the amendatory agreement of December 1, 1948, the letter agreement under which TWA used the aircraft prior to signing the conditional sale agreement, and the conditional sale agreement, which are filed as Exhibits 15u through 15w and Exhibit 15aa to the registration statement, for the detailed provisions thereof, and the foregoing statements are qualified in their entirety by such reference.

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On January 9, 1947 the TWA Board of Directors accepted a proposal of Hughes, dated January 8, 1947, under which Hughes agreed to lend TWA \$10,000,000, and the Board of Directors would be reconstituted so that a majority of the directors would be nominees of Hughes. On January 9, 1947 the Board of Directors was so reconstituted. Of the present directors, Messrs. Palmer Bradley, Oscar F. Holcombe, A. V. Leslie, A. D. Simpson and Loyd Wright were nominated by Hughes at that time. At the annual meeting of stockholders in 1948 the gentlemen named were reelected directors of TWA. At that meeting, stock owned by Hughes constituted a majority of the stock represented and voting.

Pursuant to the above-mentioned agreement between Hughes and TWA accepted January 9, 1947, Hughes lent TWA \$10,000,000 in the period from January 9, 1947, through May 29, 1947, the loans being evidenced by TWA's Subordinated Convertible 2½% Notes, due June 2, 1956. These notes were convertible by the holder at any time before maturity into TWA Common Stock at the par value thereof (\$5), or at the average of the prices at which the last sale of such stock was made on the New York Stock Exchange on each of the last ten business days preceding receipt by TWA of notice of exercise of the right to convert, whichever was greater. TWA could require the holder to convert, on January 1, 1950 and on that day only, at a price calculated by the same method, by mailing to the holder notice of its election so to do.

On December 26, 1947, Hughes, in a further agreement with TWA, waived its rights to require payment of these notes, or interest thereon, in money or in any form other than stock.

On June 15, 1948, TWA's Board of Directors authorized an offer to Hughes to convert the \$10,000,000 principal amount of the notes and the interest amounting to \$344,239.75 accrued thereon to June 18, 1948, into TWA's Common Stock at a price of \$10 per share. The offer was accepted by Hughes on June 18, 1948. The resulting agreement was approved by TWA's stockholders (including the holders of a majority of the Common Stock not owned by Hughes) on August 10, 1948. The agreement was consummated on or about August 24, 1948, and 1,034,423 shares of Common Stock were issued upon surrender of the notes for retirement. Had TWA had the right to require conversion on June 18, 1948, the date of acceptance by Hughes of the proposal, the conversion price would have been \$15.80 per share and Hughes would have received 654,699 shares. See information under the caption "Litigation" regarding a stockholder's suit to enjoin the conversion of the notes by Hughes.

The agreement dated January 8, 1947, was filed with the Board for approval if such approval was deemed necessary. TWA and Hughes took the position that the Board's original order approving control of TWA by Hughes made any further consideration of the question unnecessary. However, by order dated June 30, 1948 the Board stated that the agreement constituted a further acquisition of control requiring approval under the Act and a hearing has been tentatively set for May, 1949, to determine whether such further acquisition should be approved.

By a Three-Party Agreement, dated January 31, 1947, between Hughes, TWA and The Equitable Life Assurance Society of the United States (hereinafter sometimes called Equitable) Hughes agreed that if TWA should at any time be in default in the payment of the principal of or interest on any of its Series A Debentures or Series B Debentures, Hughes would, within ten days after Equitable's request, cause to be subjected to a Voting Trust Agreement, to be dated as of the date of such request, in the form attached to said agreement as Exhibit C, all shares of Common Stock of TWA owned by Hughes on January 31, 1947, or acquired by Hughes prior to the execution and delivery of said Voting Trust Agreement (except any such shares theretofore transferred by Hughes by a sale in connection with which a registration statement became effective under the Securities Act of 1933) and TWA and Hughes agreed to take all action requisite on their part to cause said Voting Trust Agreement to be executed and delivered by them respectively and by the single voting trustee Hughes would be entitled to nominate. Equitable would be entitled to nominate the remaining two voting trustees, and in the event Hughes should not designate a voting trustee within said ten-day period, or if the person so designated should not execute said Voting Trust Agreement, the third voting trustee would be a person designated by the two voting trustees nominated by Equitable. The voting trustees would be entitled to exercise, in their discretion, all rights and powers with respect to all shares deposited under the Voting Trust Agreement, including the right to vote thereon or consent to any and every act of TWA. Hughes also agreed to subject to said Voting Trust Agreement all shares of Common Stock of TWA acquired after the execution and delivery thereof.

It made, the Voting Trust Agreement would terminate on (a) June 1, 1956, (b) the date of satisfaction of the Trust Indenture under which TWA's Series A Debentures and Series B Debentures have been issued, or (c) the date on which Equitable terminates it, whichever is earlier.

By the Three-Party Agreement Hughes also constituted Equitable its proxy, effective at any time TWA should be in default in payment of principal of or interest on any Debentures, to vote and act with respect to all shares of Common Stock of TWA, with respect to which Hughes would be entitled to vote

and act, at any meeting of TWA stockholders. The proxy is to be valid until the Common Stock owned by Hughes is subjected to the Voting Trust Agreement, or until none of the Debentures is outstanding, whichever is earlier, but in no event beyond June 1, 1956.

Reference is hereby made to the agreement accepted January 9, 1947, the agreement dated December 26, 1947, the offer dated June 15, 1948, and the acceptance thereof effective June 18, 1948, the Three-Party Agreement and the form of Voting Trust Agreement, referred to above, which are filed as Exhibits 15c through 15f and Exhibit 5, respectively, to the registration statement, for the detailed provisions thereof, and the foregoing statements are qualified in their entirety by such reference.

Relations with the Holder of Debentures

On November 30, 1945, TWA and Equitable entered into an agreement for the sale by TWA to Equitable of \$30,000,000 principal amount of TWA's 3% Sinking Fund Debentures due June 1, 1956, to be issued under a Trust Indenture, dated as of December 1, 1945 (herein sometimes called the Trust Indenture) between TWA and The Commercial National Bank and Trust Company of New York, Trustee (herein sometimes called the Trustee) at the price of 100% of the principal amount of the Debentures plus accrued interest, and upon the other terms and conditions stated in the agreement. Pursuant to the agreement of November 30, 1945, TWA sold and Equitable purchased Debentures as follows:

<u>Date</u>	<u>Principal Amount</u>
December 3, 1945	\$10,000,000
February 8, 1946	7,000,000
April 26, 1946	7,000,000
May 31, 1946	6,000,000
Total	\$30,000,000

On May 10, 1946, TWA and Equitable entered into an agreement for the sale by TWA to Equitable of \$10,000,000 principal amount of TWA's 2½% Sinking Fund Debentures (Series B) due December 1, 1951 (herein sometimes called Series B Debentures) at the price of 100% of the principal amount of the Debentures plus accrued interest, and upon the other terms and conditions stated in the agreement. The Series B Debentures were to be issued under the Trust Indenture as amended by a Supplemental Indenture to be dated as of June 1, 1946. As holder of all outstanding Debentures, Equitable consented to the execution of the Supplemental Indenture.

The Supplemental Indenture, dated as of June 1, 1946 (herein sometimes called the Supplemental Indenture) was signed by TWA and the Trustee on October 3, 1946. By the Supplemental Indenture the Debentures due June 1, 1956 were designated 3% Sinking Fund Debentures (Series A) due June 1, 1956 (herein sometimes called Series A Debentures) and the Trust Indenture and the Series A Debentures were appropriately amended to provide for the issue of a maximum principal amount of \$10,000,000 of Series B Debentures. On the same day TWA sold and Equitable purchased \$10,000,000 principal amount of Series B Debentures.

On January 31, 1947, TWA, Hughes and Equitable entered into the Three-Party Agreement partly described above under the subcaption "Relations with Hughes Tool Company". By the Three-Party Agreement, Hughes agreed to lend TWA \$10,000,000 against delivery of TWA's Subordinated Convertible 2½% Notes (as contemplated by the agreement between Hughes and TWA accepted January 9, 1947, described above under the subcaption "Relations with Hughes Tool Company") and Equitable waived the covenants of the Trust Indenture, as amended, to the extent necessary to permit TWA to incur and remain liable for the indebtedness evidenced by said notes, and, subject to consummation of the loans by Hughes, consented to the execution by TWA and the Trustee of a Second Supplemental Indenture, to be dated as of January 15, 1947, in the form annexed to the Three-Party Agreement as Exhibit A.

In May, 1947, the \$10,000,000 loan by Hughes to TWA having been consummated, TWA and the Trustee signed the Second Supplemental Indenture dated as of January 15, 1947 (herein sometimes called the Second Supplemental Indenture), by which the date of maturity of the Series B Debentures was extended from December 1, 1951, to December 1, 1955; the rate of interest thereon was increased from 2½% to 3% from December 1, 1946, to maturity; and the redemption price thereof was increased. Fixed sinking fund payments for the Series A Debentures and Series B Debentures were substantially reduced, and a number of TWA's covenants and other provisions of the Trust Indenture, as amended, were modified by the Second Supplemental Indenture.

On March 25, 1948, and simultaneously with the signing of the Credit Agreement dated March 25, 1948 (described below under the caption "Funded Debt—3% Promissory Notes") Equitable and the parties

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to the Credit Agreement entered into a Multi-Party Agreement under which Equitable consented to and approved the purchase by TWA of twelve Model 749 Constellation aircraft; the financing of such purchase and of the purchase of engines, propellers and spare parts and the refinancing of part of the purchase price of nine Model 049 Constellation aircraft, as provided in the Credit Agreement; and the subjecting to a chattel mortgage of the aircraft involved and the engines, propellers and spare parts to secure the amounts borrowed. Equitable also consented to the signing of a Third Supplemental Indenture, to be dated as of March 15, 1948, in the form annexed to the agreement as Exhibit A, and TWA agreed to enter into the same with the Trustee. Equitable received the right to acquire all, but not less than all, of the notes issued under the Credit Agreement at the principal amount thereof plus accrued interest, and the Trustee was given the right to cure or eliminate defaults of TWA under the chattel mortgage, any payments so made to be secured by the lien of the chattel mortgage, subject and subordinate, however, to the lien for, and the prior right to payment of, all other sums secured thereunder.

On the same day TWA and the Trustee signed the Third Supplemental Indenture dated as of March 15, 1948 (herein sometimes called the Third Supplemental Indenture), whereby the Trust Indenture was amended to permit the financing contemplated by the Credit Agreement and the Multi-Party Agreement, and among other changes, TWA's covenant with respect to insurance was changed to specify more particularly the insurance to be carried and to require the payment to the Trustee (for pro rata redemption of the Series A Debentures and Series B Debentures) of proceeds of insurance payable because of destruction, loss or confiscation of aircraft or damage thereto to an extent rendering repairs impracticable or uneconomic, except to the extent that such proceeds were payable to the trustee under the chattel mortgage above referred to or to the trustees under the Boeing Mortgage, described under the caption "Funded Debt—2% Promissory Notes".

On August 24, 1948 Equitable consented to the exchange by Hughes of the Subordinated Convertible 2¾% Notes of TWA for 1,034,423 shares of Common Stock as described above under the subcaption "Relations with Hughes Tool Company". Equitable has also waived compliance by TWA with one or more covenants of the Trust Indenture, as from time to time amended, on a number of occasions.

Reference is hereby made to the agreements dated November 30, 1945, and May 10, 1946, the Three-Party Agreement, the Multi-Party Agreement, the Trust Indenture, Supplemental Indenture, Second Supplemental Indenture and Third Supplemental Indenture, referred to above, which are filed as Exhibits 15a, 15b, 15f, 15j, and 7a through 7d, respectively, to the registration statement, for the detailed provisions thereof, and the foregoing statements are qualified in their entirety by such reference.

For a description of the Fourth Supplemental Indenture, dated as of February 1, 1949, see the caption "Funded Debt—Debentures".

Investments in, and Relations with, Certain Other Companies

In October, 1943, TWA contracted to purchase from TACA Airways, S. A., the equivalent of 225,000 shares of the latter's common stock. TACA Airways, S. A., through its subsidiaries, operated an extensive airline system in Central America and the Caribbean area. TWA endeavored to assist it in developing and modernizing its system and made available some of its experienced personnel and additional financial assistance. TWA's interest in TACA Airways, S. A. was increased by subsequent purchases to 335,000 shares. Operations of TACA Airways, S. A., were carried on at a substantial loss in the years from 1944 through 1946. In January, 1947, TWA granted options on 335,000 shares of TACA Airways, S. A. stock at a price of \$2.00 per share on or before January 31, 1948, \$2.50 per share on or before January 31, 1949, and \$3.00 per share on or before July 31, 1949. At the same time, TWA granted the principal optionee an irrevocable proxy covering the voting of all of the optioned shares. The option had not been exercised prior to February 9, 1949, and at that date an over-the-counter market bid price for TACA Airways, S. A. stock was 62½¢ per share. TWA is presently considering a proposal under which the options on approximately 280,000 of these shares would be surrendered and 200,000 thereof would be sold at a price of 50¢ a share.

In October, 1943, TWA agreed to purchase from TACA Airways, S. A. 900 shares of the stock of Empresa de Transportes Aereos Brasil, S. A., a Brazilian corporation conducting air transportation operations in Brazil and elsewhere. The purchase was subsequently consummated.

In 1946 TWA acquired 5,600 shares of the capital stock of Philippine Air Lines, Inc. at a cost of \$420,000, of which \$320,000 was paid in cash and \$100,000 was paid in services. TWA's services consisted, among other things, of preparing a detailed plan of operation. The contractual arrangements were to continue for three years. TWA also provided services in connection with training personnel and obtaining necessary aircraft and equipment for which its costs were reimbursed by Philippine Air Lines, Inc. Performance of the contract by TWA has been substantially completed.

In 1945 TWA contracted with Iranian Airways Company to furnish the latter with aircraft and equipment, to provide and train personnel and to perform other services for which TWA was to receive its costs and a fee of \$12,000 per year. The contract covered a five-year term. In 1946, pursuant to the contract, TWA acquired 250 shares of the capital stock of Iranian Airways Company at a cost of \$25,000, part of which was paid in cash and part by credit against amounts due TWA under the contract. The stock was paid to the extent of 50%. The operations of Iranian Airways Company were not successful financially, and because of nonpayment of bills TWA early in 1947 refused it further credit and refused to continue performance of the contract. Negotiations for settlement of TWA's claims extended over a considerable period, in the course of which Iranian Airways Company disputed the amounts of the bills submitted by TWA and made claims against it for breach of contract. In April of 1947 a partial settlement was effected pursuant to which three Douglas C-47 aircraft were turned over to TWA on account of the amounts due, and final settlement was reached in September, 1948 pursuant to which the contract was terminated and Iranian Airways Company agreed to pay \$50,000 to TWA in full settlement of TWA's claims. \$10,000 of this amount was credited upon the stock owned by TWA, and TWA has been informed that, by subsequent action, the capital of Iranian Airways Company was reduced so that the 250 shares are now fully paid. The remaining \$40,000 was evidenced by notes payable in equal quarterly instalments from November 1, 1948, to November 1, 1951. Iranian Airways Company has released TWA from all its claims and TWA has agreed to release Iranian Airways Company when it has paid its notes. Iranian Airways Company has paid the first two instalments totaling \$6,666.68, due November 1, 1948 and February 1, 1949.

In 1946 TWA acquired a stock interest in Technical & Aeronautical Exploitations Company Ltd., a Greek corporation. TWA also undertook to supply technical supervisory personnel for this company and to obtain aircraft and spare parts for its operations. The company was able to commence operations in Greece in 1946 and, with minor interruptions, has continued operations since that date. It is now operating without TWA personnel. In 1947 disputes arose concerning the management of the company and the issuance of shares of stock of the company to various parties, including TWA, and litigation in the Greek courts resulted. The disputes and litigation were settled in August, 1947. As part of the settlement TWA agreed to continue to own 8,000 of the shares held by it until August 23, 1949. As of February 1, 1949, TWA owned 14,000 shares of stock of this company.

In September, 1946, pursuant to agreement between the Italian Minister of Aeronautics and TWA, Linee Aeree Italiane, an Italian air transportation corporation, was organized to carry on air transportation of persons, property and mail in Italy. TWA acquired 8,000 shares of the stock of such corporation, the balance of the stock being acquired by the Italian government and corporations and Italian nationals designated by the government and acceptable to TWA. TWA has the right to select four of the ten directors and has other rights with respect to management functions. TWA has also agreed to provide services (at cost) in connection with the procurement of aircraft and equipment. TWA has the right to sell such stock to the Italian government at the value shown by the latest balance sheet of Linee Aeree Italiane, plus a certain allowance for interest.

TWA's investment in the companies above named, the write-down of such investment, and the asset value on TWA's books at November 30, 1948, are shown on the following tabulation:

	Investment	Write-Downs	Asset Value November 30, 1948
TACA Airways, S. A.	\$2,295,750	\$2,295,749	\$ 1
Empresa de Transportes Aereos Brasil, S. A.	51,905	51,904	1
Philippine Air Lines, Inc.	320,000	175,000	145,000
Iranian Airways Company	35,000	34,999	1
Technical & Aeronautical Exploitations Com- pany Ltd.	69,804	50,000	19,804
Linee Aeree Italiane	250,971		250,971
Total	\$3,023,430	\$2,607,652	\$415,778

TWA does not own a majority of the stock, voting or otherwise, of any of the above companies.

In September, 1945, TWA made an agreement with the Imperial Ethiopian Government contemplating the organization of Ethiopian Air Lines. TWA was to provide and train personnel, obtain aircraft and equipment and perform other services, for which it was to receive its costs and a fee of \$12,000 per year or a fee based on plane miles or pound miles flown by Ethiopian Air Lines, whichever amount

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was larger. While Ethiopian Air Lines was primarily liable to TWA for costs and fees, the Ethiopian Government was secondarily liable. The agreement was to continue for seven years from the date when Ethiopian Air Lines was established with the right on TWA's part to renew the agreement for two additional periods of seven years each. Ethiopian Air Lines was incorporated December 26, 1945.

In September, 1946, TWA made an agreement with the Kingdom of Saudi Arabia (which superseded an earlier agreement under which TWA furnished flight personnel to the Kingdom) under which TWA agreed, for a period of five years from December 28, 1946 (the effective date of the agreement), to organize and operate Saudi Arabian Airlines and provide and train personnel, for which TWA is to receive its costs plus a fee of five cents for each mile flown by Saudi Arabian Airlines, but not less than \$1,000 per month.

TWA has also entered into agency agreements with a number of foreign air carriers operating in all parts of the world, including some of those named above. While there are many exceptions, these agency agreements, in general, appoint TWA sole general agent of the foreign air carrier in the United States and non-exclusive agent at other places where it maintains ticket offices, and the foreign air carrier is similarly appointed sole general agent of TWA in the country where it maintains its head office, and non-exclusive agent at other places where it maintains ticket offices. Commissions are paid on tickets sold under the agency agreements.

TWA has also made investments in corporations organized by United States certificated air carriers to carry on certain cooperative enterprises. Among these are Aeronautical Radio, Inc., which serves as an agency for coordination of aeronautical communications matters of common concern to the air transportation industry; Air Cargo, Inc., which performs coordinating services in connection with the handling of air freight, particularly with respect to pick up and delivery services; Airlines Terminal Corporation, formed for the purpose of financing and operating airport terminal buildings and providing terminal services; and a number of corporations operating joint ticket offices.

Operations under War Contracts

At the beginning of the war TWA contracted with the Army Air Forces to operate an overseas air transport service. In addition to special missions, operations were carried on over both the north and south Atlantic. TWA also operated for the Army Air Forces a domestic cargo service, a modification center for the modification of combat and transport aircraft, and several training schools for Army Air Forces personnel, and performed other services.

Almost all TWA's operations under war contracts were on a cost-plus-a-fee basis. Contracts were renegotiated, but there was no recovery by the Government in renegotiation proceedings. Final settlements, or agreements for final settlements, have been arrived at with respect to all contracts with the exception of certain disputed items involving approximately \$37,000, for which a reserve has been provided.

Insurance

TWA maintains all risks hull, public liability, passenger liability, property damage, baggage, domestic air cargo, and various other types of insurance. Premiums for such insurance are in many cases on a negotiated basis. The management of TWA considers its insurance adequate as to coverage and amount.

Employee Relations

Labor relations in the air transport industry are governed by the provisions of Title II of the Railway Labor Act, as amended. The Civil Aeronautics Act of 1938, as amended, provides that it shall be a condition upon the holding of a Certificate that the air carrier comply with Title II of the Railway Labor Act. The Act also requires air carriers to maintain rates of compensation, maximum hours and other working conditions and relations with pilots and copilots engaged in interstate air transportation in continental United States so as to conform with the decision numbered 83 made by the National Labor Board on May 10, 1934, and to maintain rates of compensation for pilots and copilots engaged in overseas or foreign air transportation, the minimum of which shall not be less, upon an annual basis, than the compensation required to be paid under said decision numbered 83 for comparable service within the continental United States. TWA is also subject to certain labor laws of the foreign countries through which its international system operates. At the end of 1948 TWA had more than 12,000 employees.

Approximately 46% of all TWA employees, including all flight personnel (except about sixty hostesses and flight pursers who are citizens of foreign countries) are presently represented by unions.

The largest group (nearly 4,000) are ground service employees of various classifications, represented by the International Association of Machinists. The second largest group (over 1,000) are pilots and copilots represented by Air Line Pilots Association, International, with which is affiliated Air Line Stewards and Stewardesses Association, International, representing the third largest group (nearly 600), the hostesses and flight pursers.

Agreements with the International Association of Machinists covering mechanics and related employees and guards expired December 31, 1948. The union has requested that a number of changes be made in the new agreements, including an increase in hourly wages of 15 cents per hour. TWA has offered a smaller increase in hourly pay in lieu of all the union's requests. TWA is informed that the union has invoked the mediation procedure provided under the Railway Labor Act. The agreement covering navigators expired January 1, 1949, and a new agreement is being negotiated. The union representing the navigators has requested various pay increases. It is impossible to forecast at this time the outcome of the negotiations for any of these new agreements. Other collective bargaining agreements expire at various dates from March through September, 1949.

In recent years TWA has been affected at times by the general labor unrest prevalent in the United States. Many of TWA's difficulties may be attributed to the great expansion in its operations which took place during and after the war. Expansion was accompanied by specialization of work, giving rise to new and difficult problems of employee classification and representation. New jobs, such as flight navigator, were established. In some cases existing unions were not prepared to represent new classes of employees and new unions were organized for the purpose. Introduction of new aircraft raised questions of compensation of flight personnel. Inauguration of TWA's international operations added further problems of representation and of compensation for foreign service.

As a result of these complications, disputes have been frequent. Both TWA and its employees have frequently invoked the services of the National Mediation Board, and on several occasions have submitted disputes to arbitration. One strike has actually occurred. In that case TWA and Air Line Pilots Association, International, were unable, after protracted negotiations, to agree on rates of pay and work rules for pilots and copilots of Lockheed Constellation and Douglas C-54 aircraft. On May 7, 1946, the President of the United States created an Emergency Board to consider the dispute. The Emergency Board submitted its report July 7, 1946. TWA accepted the report and put the recommendations of the Emergency Board into effect on August 8, 1946. The pilots and copilots struck on October 21, 1946, completely stopping TWA's scheduled operations. On November 15, 1946, the dispute was submitted to arbitration and scheduled operations were resumed. The dispute was settled by the arbitration award made January 22, 1947.

In the last two years problems of classification and representation of employees have gradually been clarified and grievance procedures have been established under the various collective bargaining agreements. These procedures have been and are still being used frequently and appear adequate to settle most of the routine grievances of employees.

TWA's labor policy in general has been directed toward recognizing and conforming with the standards of the air transport industry and maintaining parity between unorganized employees and those subject to collective bargaining agreements. Work rules and employee benefits have been liberalized over the past five years to conform with industry standards. The forty-hour workweek was adopted in January, 1946, and now constitutes the standard workweek for all ground employees. TWA's present practices with regard to sick leave, vacations, holidays, and overtime pay are substantially in accordance with those of other major United States air carriers and are substantially the same for organized and unorganized employees.

TWA Incentive Plan.

By action of the stockholders at their annual meeting held March 21, 1940, and of the directors at their meeting held April 5, 1940, the TWA Incentive Plan was adopted for the expressed purpose of attracting and retaining the high degree of executive ability and competence required by TWA's business. The Plan is administered by a Compensation Committee appointed by the Board of Directors from its members not eligible to the benefits of the Plan.

The Plan provides for the establishment of an Incentive Compensation Fund, to which there is credited each year in which the net earnings of TWA exceed 50 cents per share of Common Stock, such amount as the Compensation Committee determines, not exceeding 10% of the net earnings for that year and not exceeding the difference between the amount of such earnings and an amount equal to the number of shares of Common Stock outstanding at the end of the year multiplied by 50 cents. The Compensation Committee determines in each year the amount of the Fund to be distributed, the officers and employees to participate in the distribution and the amount and conditions of each award. The Fund may be held in cash or invested in TWA Common Stock and awards may be made either in cash or in such Common

Stock. If all of the Common Stock or cash available in any year is not distributed in that year, the undistributed balances may be carried forward in the Fund from year to year.

The Board of Directors may remove any member of the Compensation Committee at any time, may modify the Plan from time to time, repeal it entirely or discontinue allotments either temporarily or permanently, but no such modification may operate to annul an award once granted or to increase the amount of the award over the limits previously approved by the stockholders.

Awards were made under the Plan to officers and employees in the years 1942 through 1945, and no awards have been made since. Reference is hereby made to the TWA Incentive Plan and resolutions of stockholders and directors with respect to amendment thereof, which are filed as Exhibits 15m through 15p to the registration statement, for the detailed provisions thereof, and the foregoing statements are qualified in their entirety by such reference.

The TWA Employees Stock Purchase Plan.

Under The TWA Employees Stock Purchase Plan, approved by the stockholders at a meeting held April 1, 1937, the Board of Directors was authorized to grant options to purchase a total of 50,000 shares of Common Stock to officers and employees who, by their loyalty, ability and initiative, had contributed and in the future would contribute to the successful operation of TWA's business. Such options were granted in the years 1937 through 1940. Options for 36,137 shares have been exercised and no other options are presently outstanding although the Board of Directors has authority to grant additional options under the Plan or to amend or terminate it. The last options outstanding, held by two employees, covered 119 shares and were exercised in the period June 1, 1948, to December 1, 1948, at a price of \$3.75 per share with respect to shares optioned in 1938, \$5.85 per share with respect to shares optioned in 1939, and \$7.06 per share with respect to shares optioned in 1940.

Other Recent Developments

On May 17, 1948, the Chairman of the Board of TWA, by letter to the Reconstruction Finance Corporation, requested consideration of a loan of \$10,000,000. No formal application to the Reconstruction Finance Corporation for a loan was ever filed.

On September 28, 1948, a Douglas C-54 aircraft was destroyed by fire at La Guardia Airport while being serviced. There were no casualties, and TWA's uninsured loss was approximately \$22,000 after salvage. Insurance proceeds of approximately \$80,000 will be receivable in connection with this loss, and such insurance proceeds are payable to the Trustee under the Trust Indenture described under the caption "Funded Debt—Debentures" for redemption of Debentures.

On November 25, 1948, a Model 049 Constellation was destroyed by fire immediately following a landing at Los Angeles. There were no casualties, and the aircraft was insured for an amount in excess of the net book value thereof. The amount of insurance proceeds will not be ascertained until all usable parts of the aircraft have been salvaged. Any insurance proceeds receivable on account of this accident would have been payable to the trustee under the Constellation Mortgage, described under the caption "Funded Debt—3% Promissory Notes", for prepayment of 3% promissory notes. However, TWA requested the holders of participations in such notes to permit it to use the insurance proceeds to purchase and modify for its purposes another Constellation aircraft which would be subjected to the lien of the Constellation Mortgage and such permission has been obtained.

Pan American Airways, Inc., one of the two American-flag air carriers competing with TWA in operations over the north Atlantic, has submitted to the Board for approval several agreements, each dated December 13, 1948, under which, if approved and performed, it will acquire the property, assets and business (including the Certificate) of American Overseas Airlines, Inc., the other American-flag air carrier competing with TWA in such operations. TWA has filed a petition for leave to intervene. Public Counsel has filed a motion with the Board requesting it also to consider the entire north Atlantic route structure of American-flag air carriers and to make such amendments, alterations or modifications of the Certificates of American Overseas Airlines, Inc., Pan American Airways, Inc., and TWA as may be found to be required by public convenience and necessity. In supporting the motion Public Counsel

stated that, if there should only be two American-flag air carriers, the Board might want to make a new distribution of routes by enlarging and strengthening TWA's routes, but that American Overseas Airlines, Inc. might reconsider withdrawing from operations and there might be substantial reasons why either Pan American Airways, Inc. or TWA should be asked to withdraw instead. TWA has filed a somewhat similar motion requesting the Board to broaden the proceedings to arrive at a satisfactory pattern of transatlantic service, including, if necessary, amending and extending or making permanent TWA's and Pan American's international Certificates. TWA cannot forecast the outcome of these proceedings and makes no representation as to the effect thereof on its international Certificate.

PROPERTY

As of February 1, 1949, TWA owned or leased a total of one hundred twenty-four aircraft, of which ninety-eight were assigned to its transcontinental system and twenty-six to its international system. All aircraft in use are maintained in airworthy condition in accordance with procedures approved by the Civil Aeronautics Administrator. These aircraft are as follows:

Type	Total	Owned	Leased	Trans-continental	International	Approximate age
Douglas DC-3, twin-engine, 21-passenger	54	30	24	54	0	5½-12½ yrs.
Douglas DC-3, twin-engine, 24-passenger	8	8	0	8	0	8-8½ yrs.
Douglas DC-3, twin-engine, cargo and utility	10	10	0	8	2	4½-6½ yrs.
Boeing Stratoliner, four-engine, 38-passenger	5	5(1)	0	5	0	9 yrs.
Douglas C-54, four-engine, 40-passenger	5	5	0	0	5	4 yrs.
Douglas C-54, four-engine, 42-passenger	5	5	0	0	5	4-5 yrs.
Douglas C-54, four-engine, cargo	2	0	2	0	2	4 yrs.
Lockheed Constellation 049, four-engine, 51-passenger	23	21(2)	2(3)	23	0	2½-4 yrs.
Lockheed Constellation 749, four-engine, 44-passenger	12	12(4)	0	0	12	7-11 months
Totals	124	96	28	98	26	

- (1) Subject to Boeing Mortgage, described under caption "Funded Debt—2% Promissory Notes".
- (2) Eight of these aircraft are subject to Constellation Mortgage, described under caption "Funded Debt—3% Promissory Notes".
- (3) Acquired from Hughes under conditional sale agreement dated as of February 1, 1949, as described under the caption "History and Business—Relations with Hughes Tool Company".
- (4) Subject to Constellation Mortgage referred to in footnote (2).

Annual rental on the twenty-four Douglas DC-3 and two Douglas C-54 aircraft on lease aggregates \$491,304 with a credit at the annual rate of \$183,600 on account of conversion costs of the Douglas DC-3 aircraft, making the net annual cash payment \$307,704. Leases of these aircraft expire at various dates in 1950.

TWA owns no real property with the exception of fourteen acres on which the passenger station and its hangars at Winslow Airport, Arizona, are located. TWA's general offices in Kansas City, Missouri, and executive offices in New York, N. Y., are in leased office space. TWA's principal overhaul base is located on leased property at Fairfax Airport, Kansas City, Kansas, where major overhauls on Constellation and other aircraft are performed. An overhaul base for the international system is maintained on leased property at New Castle County Air Base, Wilmington, Delaware, where overhauls of Douglas C-54 aircraft are performed.

At January 1, 1949, ticket offices were maintained in leased space in sixty-one cities in the United States and twenty-four cities outside the United States. At the same date, TWA was utilizing or had the right to utilize, under lease agreements or other arrangements, airports for its service at fifty-five cities in the United States and sixteen cities outside the United States. Where hangar or other improvements are made on leased land, upon termination of the leases the improvements revert to the municipalities or other agencies owning the land except in some instances where TWA has the right of removal. Leases are for varying terms and rentals. Although their expiration represents a continuing problem of the negotiation of new leases, it is not anticipated that any single expiration will materially affect TWA's operations adversely.

Rents and landing fees paid or accrued for the three years and seven months ended July 31, 1948, were as follows:

Period	Transcontinental System	International System	Subsidiaries	Total
1945.....	\$ 768,996	\$ 34,149	\$ 1,997	\$ 805,142
1946.....	1,429,189	629,469	20,520	2,079,178
1947.....	1,677,666	1,159,636	17,547	2,854,849
Seven months ended July 31, 1948	1,102,135	736,709	420	1,839,264

The aggregate of future rent and landing fee costs is difficult to estimate as such costs depend on variable factors, such as volume of traffic, number of schedules, types of equipment and routing thereof, terms yet to be negotiated, and municipal and other governmental policies. It is expected, however, that aggregate rent and landing fee costs will increase.

The amount of TWA's capital investment reflected, directly or indirectly, in fixed property, such as hangars, terminal buildings and other such facilities, is expected to increase substantially over the next few years. The proportion that such type of capital investment bears to flight and ground equipment may also increase. It is anticipated that large expenditures will have to be made for such items which may also involve payment therefor in the form of rentals which include the amortized costs of hangars, terminal buildings and other such facilities built initially at the cost of the lessor. One of the problems confronting the air transport industry is the inadequacy of the present terminal facilities at many cities in relation to the volume of traffic and type of equipment. In some instances, terminal buildings and related facilities may be jointly owned with other air carriers.

On August 31, 1945, TWA entered into a lease for the use of facilities at New York International Airport (formerly called Idlewild Airport) in Queens County, New York. This lease provides, among other things, for the construction of hangars and other improvements for TWA at a cost not to exceed \$16,350,000, to be initially paid by the City and repaid, with interest, by TWA over a period of years.

The City has leased this airport to The Port of New York Authority and has assigned to the Authority the City's lease to TWA, the obligations of which were assumed by the Authority. The Authority has demanded that this lease, and similar leases of other air carriers, be renegotiated. TWA and other lessee air carriers are relying upon their leases with the City. A schedule of charges for use of the facilities at the airport recently promulgated by the Authority calls for fees and other charges which are different from those contained in the leases with the City.

After protracted discussions with respect to the controversy, TWA and seven other air carriers with similar leases brought an action against the Authority and others, the action being described below under the caption "Litigation".

FUNDED DEBT

2% Promissory Notes

To finance in part the repurchase price and the cost of rebuilding five Boeing Stratoliner aircraft, TWA, on August 1, 1945, delivered to nine banks forty-five promissory notes in the aggregate principal amount of \$1,700,000 to evidence loans of like amount. The notes were payable in equal quarterly installments from September 1, 1945, to June 1, 1950, with interest, payable quarterly at the rate of 1½% per annum on those notes with installments maturing from September 1, 1945, through June 1, 1946, at the rate of 1¾% per annum on those notes with installments maturing from September 1, 1946, through June 1,

1947, and at the rate of 2% per annum on those notes with instalments maturing from September 1, 1947, through June 1, 1950.

To secure such notes, TWA, on August 1, 1945, entered into an Indenture of Chattel Mortgage (herein sometimes called the Boeing Mortgage), dated that day, with The Commercial National Bank and Trust Company of New York and Charles H. Owens, as trustees, wherein it mortgaged the five Boeing Stratoliner aircraft with related engines and propeller assemblies, fifteen additional engines, and five additional propeller assemblies, to secure the notes.

The Boeing Mortgage permits TWA to prepay the notes at any time as a whole, or in part in amounts of at least \$100,000, without premium, and requires it to prepay any amount by which the unpaid principal of the notes at any time exceeds 85% of the sum of the net depreciated cost of the mortgaged property (determined as provided in the Boeing Mortgage) and certain moneys held by, or insurance moneys payable to, the trustees under the Boeing Mortgage. The Boeing Mortgage also provides, among other things, that the principal of all the notes outstanding may become or be declared due and payable in the event of certain defaults specified therein; that there may be substitution of mortgaged property; and that modification of the provisions thereof may be made when approved by the holders of 75% in principal amount of the notes outstanding, but not to extend the time of payment of instalments of principal thereof, or interest thereon, reduce the principal thereof or rate of interest, affect the right of any holder of any note issued thereunder to enforce the same on or after the due date thereof or change the percentage necessary to approve modifications.

The foregoing summary does not purport to be complete, and reference is made to the Boeing Mortgage and the form of note included therein which are filed as Exhibit 7e to the registration statement for a full statement of the provisions thereof, and the foregoing summary is qualified in its entirety by such reference.

Debentures

At February 1, 1949, TWA had outstanding \$29,500,000 principal amount of Series A Debentures (of a total issue of \$30,000,000 principal amount) and \$9,500,000 principal amount of Series B Debentures (of a total issue of \$10,000,000 principal amount). Such Debentures are outstanding under a Trust Indenture, dated as of December 1, 1945, as amended by four Supplemental Indentures. Issuance of the Debentures and amendments of the Trust Indenture are described under the caption "History and Business—Relations with the Holder of Debentures."

The Series A Debentures bear interest at the rate of 3% per annum, mature June 1, 1956, and are redeemable at any time as a whole, or in part in multiples of \$50,000 principal amount, at principal, accrued interest and a premium varying from 2½% for redemption on or before June 1, 1949, to ¼% on or before June 1, 1955, and without premium after June 1, 1955. The Series B Debentures bear interest at the rate of 3% per annum, mature December 1, 1955, and are redeemable upon the same terms.

The Trust Indenture, as amended, provides for fixed sinking fund payments for the Debentures as follows:

<u>Series A Debentures</u>		<u>Series B Debentures</u>	
May 28, 1948	\$ 500,000	November 27, 1948	\$ 500,000
May 28, 1949	1,000,000	November 27, 1949	1,000,000
May 28, 1950	2,000,000	November 27, 1950	1,000,000
May 28, 1951	2,000,000	November 27, 1951	1,000,000
May 28, 1952	2,000,000	November 27, 1952	1,000,000
May 28, 1953	2,000,000	November 27, 1953	1,000,000
May 28, 1954	2,000,000	November 27, 1954	2,000,000
May 28, 1955	2,000,000		
Totals	\$13,500,000		\$7,500,000

Additional sinking fund payments are required on November 27th of each year from November 27, 1948, through November 27, 1955, in an amount equal (to the nearest multiple of \$1,000) to the excess of (1) TWA's net income from December 31, 1946, to the end of TWA's fiscal year next preceding the November 27th on which the payment is to be made plus \$344,239.75, over (2) the sum of all sinking fund payments made by TWA during the same period. However, the total of the fixed and additional sinking fund payments need not at any time exceed the aggregate of \$4,000,000 plus \$4,000,000 for each fiscal year of TWA completed after December 31, 1946, and prior to the date an additional sinking fund payment is to be made, and the amount of such additional sinking fund payment may be reduced accordingly. Additional sinking fund payments are to be applied equally (as nearly as may be) in respect of Series A Debentures and Series B Debentures. However, the total of the fixed and additional sinking fund payments in respect of the Series A Debentures shall not at any time exceed the aggregate of \$2,000,000 plus \$2,000,000 for each fiscal year of TWA completed after December 31, 1946, and prior to the date an additional sinking fund payment is to be made, and any excess shall be applied in respect of the Series B Debentures. No additional sinking fund payment was required to be made on November 27, 1948.

Among other provisions, the Trust Indenture, as amended, requires payment to the Trustee, for redemption of Debentures, of proceeds of insurance payable because of destruction, loss or confiscation of aircraft or certain damage thereto, except to the extent that such proceeds are payable to the trustees under the Boeing Mortgage (above described under the subcaption "2% Promissory Notes") or the trustee under the Constellation Mortgage (described below under the subcaption "3% Promissory Notes"); restricts the borrowing of money, the creation of liens on the property of TWA and its subsidiaries, the disposition of net proceeds from the sale of unpledged flight equipment, and the leasing of aircraft after March 15, 1948; prohibits the making of "Restricted Expenditures", which are expenditures for the purchase of any aircraft and (with certain exceptions) investments, loans and advances not made in the ordinary course of business, unless, immediately thereafter, consolidated net current assets of TWA and its subsidiaries are at least \$20,000,000; and provides for the acceleration of the maturity of the Debentures in the event of certain defaults specified therein. Provisions restricting the payment of dividends on the Common Stock are summarized under the caption "Description of Common Stock". The Trust Indenture, as amended, may be further amended with the consent of holders of 66 2/3% in principal amount of the outstanding Debentures, but not to extend the maturity of the Debentures, reduce the rate or extend the time of payment of interest thereon, reduce the principal thereof, reduce any premiums payable upon redemption thereof, or change the percentage of holders of Debentures required as above stated to consent to amendments.

As of February 1, 1949, TWA and the Trustee, with the consent of Equitable, entered into a Fourth Supplemental Indenture (hereinafter called the Fourth Supplemental Indenture), containing further amendments of the Trust Indenture, the most important of which are substantially to the following effect:

(a) purchase of two Constellation aircraft by TWA from Hughes, as described under the caption "History and Business—Relations with Hughes Tool Company", and purchase, modification and mortgaging of an additional Constellation aircraft, as described under the caption "History and Business—Other Recent Developments", is permitted;

(b) guaranties of indebtedness of corporations, the primary activity of which is the furnishing of services or facilities to three or more scheduled airlines, including TWA, and loans and advances to and investments in such corporations owned by three or more scheduled airlines, may be made by TWA, but amounts are limited; and

(c) capital assets (other than aircraft) formerly included in the category of "Restricted Expenditures" are removed therefrom and the amount of consolidated net current assets which TWA and its subsidiaries are required to have immediately after the making of any "Restricted Expenditures" is increased from \$7,000,000 to \$20,000,000, with a provision that the restriction shall not apply to the aircraft referred to in (a) above.

The foregoing statements concerning the Debentures and Trust Indenture, as amended, do not purport to be complete, and reference is made to the Trust Indenture and the Supplemental Indentures, which are filed as Exhibits 7a through 7d and Exhibit 7i to the registration statement for a complete statement of the terms and provisions thereof and the foregoing statements are qualified in their entirety by such reference.

3% Promissory Notes

At February 1, 1949, TWA had outstanding \$16,390,404.12 principal amount of its 3% promissory notes, delivered as described under the caption "History and Business—Equipment". As a part of the same transaction it was entitled to deliver, in payment for equipment not delivered at that date, a maximum of \$24,252.26 principal amount of said notes.

The notes are dated the dates the respective loans were made or credit was extended, bear interest at the rate of 3% per annum payable monthly on the last day of the month, and are payable in equal consecutive monthly instalments, beginning on September 30, 1948, or the last day of the month in which the note is dated (whichever is later) with the last payment on each note due May 31, 1953. TWA has the right, on five days' notice, to prepay the notes as a whole, or in part in amounts of at least \$100,000, without premium, partial prepayments to be applied ratably upon all the notes and the amount payable on each note being applied to the equal reduction of all unpaid instalments of principal.

The notes have been and will be delivered under a Credit Agreement dated as of March 25, 1948. The Credit Agreement may be modified, except to alter the times of payment of principal of or interest on any notes or as to certain other excepted matters, with the written consent of holders of participations in the notes aggregating 75% of the unpaid principal amount thereof, and in cases of any such modification affecting the amount or extending the time of the guarantee thereof by Lockheed Aircraft Corporation, referred to in the following paragraph, or certain other specified matters, the consent of such corporation must also be obtained.

By Agreement dated as of the 25th day of March, 1948, Lockheed Aircraft Corporation, for the sole benefit of the banks which are parties to the Credit Agreement above mentioned, guaranteed payment of the principal of and interest on the notes, and the loans evidenced thereby, which represented the purchase price and the unpaid principal amount of notes given in part payment of the purchase price of certain Constellation aircraft and parts sold by it to TWA. As of February 1, 1949, \$14,112,060.94 principal amount of these notes were guaranteed by Lockheed, and none of the remaining notes to be delivered will be entitled to this guarantee. To the extent that Lockheed is required to perform this guarantee, its rights against TWA are subordinated to the remaining rights of the lending banks.

The notes are secured by an Indenture of Chattel Mortgage dated as of March 25, 1948, between TWA and Bankers Trust Company, as Trustee, and by a number of supplemental chattel mortgages (the Indenture of Chattel Mortgage and the supplemental chattel mortgages being herein sometimes referred to collectively as the Constellation Mortgage), covering nine Model 049 Constellation aircraft (one of which was destroyed November 25, 1948, as described under the caption "History and Business—Other Recent Developments"), twelve Model 749 Constellation aircraft, and various engines, propellers, propeller assemblies and spare parts. The Constellation Mortgage requires payment to the trustee thereof, for prepayment of the notes, of proceeds of insurance payable because of total or substantially total destruction, loss or confiscation of, or damage (rendering repair impracticable or uneconomical) to, aircraft subject to the Constellation Mortgage, and requires TWA to pay to said trustee, for like prepayment, an amount equal to the excess of the net book value of such aircraft over the amount of such insurance proceeds. The Constellation Mortgage also provides, among other things, that the principal of all the notes outstanding may become or be declared due and payable in the event of certain defaults specified therein.

Modifications of the Constellation Mortgage may be made with the written approval of holders of participations in the notes aggregating 75% of the unpaid principal amount thereof, but no such modification shall alter the times of payment or amounts of principal or interest, or permit any subordination of principal or interest, or permit the release or subordination of the security under the Constellation Mortgage, or affect the right of a holder to enforce the same on or after the due date of the notes, or change the percentage, above stated, necessary to approve modifications. Without like consent, TWA may not merge, consolidate, dispose of all or a material part of its property or any of the property subject to the Constellation Mortgage, by sale, lease, or otherwise, retire indebtedness, other than the notes, prior to stated maturity, except in certain specified cases, or modify the Trust Indenture in certain respects, or the terms of the Three-Party Agreement dated January 31, 1947, described under the caption "History and Business".

The foregoing statements concerning the notes, the Credit Agreement, the Indenture of Chattel Mortgage and the supplemental chattel mortgages do not purport to be complete, and reference is made to the Credit Agreement (including the form of the notes as Schedule A thereto) which is filed as Exhibit 151 to the registration statement, and the Constellation Mortgage, which is filed as Exhibits 71 through 7h to the registration statement, for a complete statement of the terms and provisions thereof, and the foregoing statements are qualified in their entirety by such reference.

DESCRIPTION OF COMMON STOCK

The holders of Common Stock are entitled to such dividends as may be declared by the Board of Directors out of any funds of TWA legally available therefor, but the declaration of dividends is limited as below stated. Each holder of Common Stock is entitled to one vote for each share of Common Stock held and has cumulative voting rights in electing directors. In the event of any liquidation, dissolution or winding up of TWA, the holders of Common Stock are entitled to share equally and ratably in the balance, if any, remaining after payment of all debts and liabilities. No holder of stock of TWA shall be entitled as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of TWA of any class or of any issue of securities convertible into stock. In the opinion of counsel for TWA, the outstanding shares of Common Stock are, and the shares being offered hereby (when issued and sold as set forth herein) will be, full-paid and non-assessable.

The foregoing statements include a brief summary of certain provisions with respect to the Common Stock set forth in the Agreement and Act of Consolidation of TWA, constituting its Certificate of Incorporation, and certificates amendatory thereof, copies of which are Exhibits 1a through 1c to the registration statement. Reference is made to said exhibits for a more complete statement of such provisions, and the foregoing statements are qualified in their entirety by such reference. The Common Stock and the rights of the holders thereof are subject to the law of the State of Delaware and no information is given with respect to such law.

In the Trust Indenture, as amended, TWA agreed not to declare any dividends (except stock dividends) or authorize any payment for the purchase, redemption or other retirement of any shares of stock or any distribution in respect thereof (such dividends, payments and distributions being hereinafter called Stock Payments), unless, among other things, after giving effect to the proposed Stock Payment and all Stock Payments currently declared or authorized and all other Stock Payments declared or authorized after December 31, 1945, each of the following conditions would be complied with:

(a) After deducting certain items, including provisions for income taxes, from both consolidated current assets and consolidated current liabilities of TWA and its subsidiaries, the remaining consolidated current assets should be at least twice the remaining consolidated current liabilities;

(b) The consolidated net current assets of TWA and its subsidiaries should be at least \$7,000,000 or 10% of consolidated funded indebtedness, whichever is greater; and

(c) The sum of all Stock Payments subsequent to December 31, 1945, would not exceed the sum of (i) 50% of the consolidated net income of TWA and its subsidiaries for the period subsequent to December 31, 1945, to and including the date of the declaration or authorization of the proposed Stock Payment, plus (ii) the aggregate cash proceeds of all stock of TWA sold during the period from December 31, 1945, to and including such date, provided that in no event should any dividend (other than a stock dividend) be declared if such dividend plus all other dividends (except stock dividends) theretofore declared subsequent to December 31, 1945, would exceed consolidated net income of TWA and its subsidiaries for the period subsequent to December 31, 1945, to and including the date of the declaration of such proposed dividend. (For the period from December 31, 1945 to November 30, 1948, TWA had a consolidated net loss of approximately \$24,700,000.)

It has not been determined whether the acquisition of stock by Hughes in August, 1948, described under the caption "History and Business—Relations with Hughes Tool Company" resulted in the receipt by TWA of "aggregate cash proceeds" for purposes of the provisions summarized above in paragraph (c).

The foregoing summary does not purport to be complete, and reference is made to Section 4.20 of the Trust Indenture, filed as Exhibit 7a to the registration statement, as amended by Article One, Section Ten, of the Second Supplemental Indenture, filed as Exhibit 7c to the registration statement, and Article One, Section Five, of the Third Supplemental Indenture, filed as Exhibit 7d to the registration statement, for a full statement of the limitations therein on the payment of dividends, and to the following Sections of said Trust Indenture: 1.03, 1.05 (as amended by Article One, Section One, of the Second Supplemental Indenture and Article One, Section One, of the Third Supplemental Indenture), 1.06 (as amended by Article One, Section Two, of the Second Supplemental Indenture), 1.07 (as amended by Article One, Section Three, of the Second Supplemental Indenture), 1.08, 1.09, 1.10 (as amended by Article One, Section Four, of the Second Supplemental Indenture), 1.11, 1.12, 1.13 (as amended by Article One, Section Five, of the Second Supplemental Indenture), 1.14 and 4.21 (as amended by Article One, Section Eleven, of the Second Supplemental Indenture) for definitions of certain of the terms used in said Section 4.20, and the foregoing summary is qualified in its entirety by such reference.

DIRECTORS AND EXECUTIVE OFFICERS

<u>Name</u>	<u>Address</u>	<u>Office</u>
Palmer Bradley	2200 Gulf Building, Houston 2, Texas	Director
E. O. Cocke	101 West 11th Street, Kansas City 6, Mo.	Director, Vice President— Traffic
John A. Collings	10 Richards Road, Kansas City, Mo.	Director, Vice President— Operations
Powel Croasley, Jr.	c/o Croasley Motors, Inc., 2530 Spring Grove Ave., Cincinnati 14, Ohio	Director
Ralph S. Damon	88-11th Street, Garden City, N. Y.	Director, President
A. B. Eisenhower	c/o Commerce Trust Company, 10th and Walnut Streets, Kansas City 10, Mo.	Director
Oscar Holcombe	City Hall, Houston, Texas	Director
A. V. Leslie	101 West 11th Street, Kansas City 6, Mo.	Director, Vice President and Treasurer
Sidney Maestre	c/o Mississippi Valley Trust Company, Broadway and Olive Street, St. Louis 2, Mo.	Director
Thomas W. Pew	720 Neils Esperson Bldg., Houston 1, Texas	Director
Warren Lee Pierson	630 Fifth Avenue, New York 20, N. Y.	Director, Chairman of the Board of Directors
A. D. Simpson	c/o The National Bank of Commerce, Houston, Texas	Director
N. S. Talbot	131 North Ludlow Street, Dayton 2, Ohio	Director
Lloyd Wright	111 West 7th Street, Los Angeles 14, Calif.	Director
C. E. Flensing	806 Connecticut Ave., N. W., Washington 6, D. C.	Vice President—Regulatory Proceedings
George H. Clay	101 West 11th Street, Kansas City 6, Mo.	Secretary
Leo R. Gilleran	101 West 11th Street, Kansas City 6, Mo.	Controller

Mr. Pierson has served TWA as a director since October 25, 1945, and became Chairman of the Board of Directors on April 24, 1947. He had been President of American Cable and Radio Corporation since April, 1945, and for more than five years prior thereto had been President of Export-Import Bank of Washington.

Mr. Damon was elected President and a director of TWA on January 25, 1949, with compensation at the rate of \$75,000 per year. He was Vice President and General Manager of American Airlines, Inc. from September, 1943, until June, 1945, when he was elected President of that company. He was President of American Airlines, Inc. until January 19, 1949. Hughes Tool Company recommended that TWA employ Mr. Damon and guaranteed that, if Mr. Damon's employment were terminated, TWA would perform its obligations to him with respect to severance pay.

Mr. Leslie has served TWA as a director since January 9, 1947, and became an officer October 1, 1947. Prior thereto and since November 1, 1946, he was Assistant to the Executive Vice-President of Hughes Tool Company and during the five preceding years had been Assistant Vice-President of Mellon National Bank & Trust Company, Pittsburgh, Pa., and its predecessor, The Union Trust Company of Pittsburgh.

Mr. Clay has been employed by TWA in various capacities since February 16, 1944 and was elected Secretary June 27, 1947. Prior to his employment by TWA he was engaged in the private practice of law. Mr. Gilleran became TWA's Controller February 25, 1947, having been in TWA's employ since September 15, 1945. For more than two years prior thereto he was Chief Accountant of Boeing Airplane Company, Wichita, Kansas. The other executive officers of TWA named in the above list have been actively engaged in TWA's business during the past five years.

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The aggregate remuneration paid directly or indirectly by TWA during 1948 (none was paid by its subsidiaries) to each director or officer whose aggregate remuneration exceeded \$25,000, and to all officers and directors as a group, for services in all capacities, was as follows:

<u>Name or Group</u>	<u>Capacities in which remuneration was received</u>	<u>Directors' Fees and Salaries</u>
Warren Lee Pierson	Chairman of the Board of Directors and Director	\$ 50,000.00*
John A. Collings	Vice President—Operations, and Director	31,619.24*
A. V. Leslie	Vice President and Director	26,400.00
Otis F. Bryan	Vice President	29,999.96**
All persons (as a group) who were directors or officers of TWA at any time during 1948	All capacities	320,404.10

* TWA estimates that Mr. Pierson's and Mr. Collings' aggregate remuneration for the year 1949 will be approximately \$59,167 and \$35,000, respectively.

** Mr. Bryan resigned as an officer June 15, 1948.

TWA is advised that as of November 29, 1948, its directors and officers, as a group, owned or had an interest in less than 1% of the outstanding Common Stock. TWA is also advised that Mr. Noah Dietrich, who was a director of TWA from January 9, 1947 until January 7, 1949, is Executive Vice President and a director of Hughes Tool Company which on November 29, 1948 owned 1,486,523 shares, or approximately 74% of such stock beneficially and of record, no shares being owned of record and not beneficially, and no shares being owned beneficially and not of record.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Article III, Section 12, of the By-Laws of TWA is as follows:

"SECTION 12. *Indemnification of Directors and Officers.* Each director and each officer of the Corporation and any director or officer of any other company serving as such at the request of the Corporation and of which the Corporation is a stockholder or creditor, shall be indemnified by the Corporation against all expenses actually and necessarily incurred by him in connection with the defense of any action, suit or proceeding in which he is made a party, or with which he may be threatened, by reason of his being or having been a director or officer of the Corporation or of such other company, whether or not he continues to be a director or officer at the time of incurring such expenses. The expenses covered by the foregoing indemnity shall also include amounts of judgments against such director or officer or amounts paid in settlement by him, other than amounts payable or paid to the Corporation, but shall not include any expenses incurred in connection with (a) any matters as to which such director or officer shall be adjudged in such action, suit or proceeding, without such judgment being reversed, to be liable for negligence or misconduct in the performance of his duties as director or officer, or (b) any matters which shall be the subject of such action, suit or proceeding disposed of otherwise than by adjudication on the merits, unless in relation to such matters such director or officer was not liable for negligence or misconduct in the performance of his duties as director or officer. As to whether or not a director or officer was liable for negligence or misconduct in relation to such matters, the Board of Directors and each director and officer may conclusively rely upon the opinion of legal counsel selected by or in a manner designated by the Board of Directors. Upon written request of any director or officer, the Board of Directors shall submit any such matter to counsel so selected. The foregoing right of indemnification shall not be deemed exclusive of any other rights to which any such director or officer may otherwise be entitled and shall inure to the benefit of the heirs, executors and administrators of such director or officer."

Insofar as the foregoing By-Law may permit indemnification for liability arising under the Securities Act of 1933, TWA has been advised that the Securities and Exchange Commission is of the opinion that a By-Law containing such provision is against public policy as expressed in the Act and therefore unenforceable. In the event that a claim for such indemnification is asserted by an officer or a director, TWA, in the absence of controlling precedent, will submit to a court of appropriate jurisdiction the question whether or not indemnification by it is against public policy as expressed in the Act and therefore unenforceable and will be governed by the final adjudication of such issue.

UNDERWRITING

As set forth on the cover of this prospectus, Hughes Tool Company, the holder of 1,486,523 shares of Common Stock of TWA, will agree to purchase for investment 297,304 shares of Common Stock through the exercise of Subscription Warrants issued to it. Subject to the conditions of the Purchase Contract, including the purchase by Hughes Tool Company of said shares, the several Underwriters have agreed to purchase, at the subscription price stated on the cover of this prospectus below the legend "Price to Public", any of the remaining 106,908 shares of Common Stock not purchased upon the exercise of Subscription Warrants.

The names and addresses of the principal Underwriters and the percentage of unsubscribed stock which each Underwriter has severally agreed to purchase are as follows:

<u>Name</u>	<u>Address</u>	<u>Percentage of Unsubscribed Stock to be Purchased</u>
Merrill Lynch, Pierce, Fenner & Beane	70 Pine Street New York 5, N. Y.	34.462%
Glore, Forgan & Co.	40 Wall Street New York 5, N. Y.	18.725
White, Weld & Co.	40 Wall Street New York 5, N. Y.	18.725
Hornblower & Weeks	40 Wall Street New York 5, N. Y.	9.363
Paine, Webber, Jackson & Curtis	25 Broad Street New York 4, N. Y.	9.363
Hayden, Stone & Co.	25 Broad Street New York 4, N. Y.	4.681
W. E. Hutton & Co.	14 Wall Street New York 5, N. Y.	4.681
Total		<u>100.00%</u>

None of the Underwriters is affiliated with TWA.

TWA is to pay the Underwriters for their commitments to purchase Common Stock the compensation set forth on the cover of this prospectus.

The Underwriters are not, on or before the public offering date, to own or be irrevocably bound to take up and pay for Common Stock. The Purchase Contract provides that the obligations of the Underwriters are subject to the performance by TWA of its obligations therein set forth, and to various conditions among which are conditions to the effect that the registration statement and any required post-effective amendment thereto shall have become effective within the time specified in the Purchase Contract and that no stop order shall have been issued or proceedings therefor initiated or threatened by the Securities and Exchange Commission prior to the date of delivery; that at the closing date, Merrill Lynch, Pierce, Fenner & Beane, as the Representative of the several Underwriters, shall have received, on behalf of the Underwriters, an opinion of counsel for TWA, in form and substance satisfactory to counsel for the Underwriters, and that counsel for the Underwriters shall have been furnished documents and opinions reasonably required to enable them to pass upon the matters referred to in, and the accuracy and completeness of the representations, warranties or conditions contained in, the Purchase Contract; that at the closing date the Representative shall have received a certificate of the President or a Vice President of TWA to the effect generally that certain specified events have not occurred; and that all proceedings taken by TWA in connection with the issue and sale of the Common Stock shall be satisfactory to the Representative, and to Underwriters' counsel.

The Purchase Contract further provides that it will become effective upon receipt of notice by the Representative from TWA that the registration statement has become effective and that Hughes Tool Company has entered into a written agreement to purchase, through the exercise of Subscription Warrants the 297,304 shares of Common Stock not underwritten by the Underwriters. Until the Purchase Contract becomes effective, as aforesaid, either the Representative or TWA may prevent it becoming effective as therein set forth. The Representative may terminate the Purchase Contract at or prior to the closing date, if TWA shall have sustained a substantial loss on account of fire, accident or other calamity (regardless of whether or not insured) which would substantially adversely affect the business, opera-

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tions, financial condition or income of TWA, if trading in securities on the New York Stock Exchange shall have been suspended or minimum prices for such trading shall have been fixed or maximum ranges of prices for securities shall have been required on such Exchange or if a banking moratorium shall have been declared either by Federal or New York authorities.

The Purchase Contract also contains certain provisions with respect to the rights of TWA and the Underwriters in the event any one or more of the Underwriters shall fail or refuse to purchase the Common Stock which it or they have agreed to purchase, including the right of TWA, if no arrangements are made for the purchase of the Common Stock to be purchased by the defaulting Underwriter, to terminate the Purchase Contract or to require the non-defaulting Underwriters to purchase and pay for the percentages of Common Stock which they have severally agreed to purchase.

In the Purchase Contract TWA has agreed to indemnify each Underwriter and each person who controls such Underwriter within the meaning of Section 15 of the Securities Act of 1933, as amended, to the extent provided in the Purchase Contract, against any loss, liability, claim, damage or expense as provided in the Purchase Contract in regard to untrue statements or alleged untrue statements or omissions or alleged omissions of material facts in the registration statement or in this prospectus. Each Underwriter severally has agreed to indemnify TWA and each of its officers and directors, and each person who controls TWA, within the meaning of Section 15 of the Securities Act of 1933, as amended, with respect to written information furnished by such Underwriter through the Representative for use in the registration statement and this prospectus.

A copy of the Purchase Contract is filed as Exhibit 14a to the registration statement. Reference is hereby made to such Exhibit for the detailed provisions of the Purchase Contract and the foregoing statements summarizing certain of such provisions are qualified in their entirety by such reference.

TERMS OF OFFERING

The Underwriters have advised TWA, through their Representative, as follows:

The Representative is authorized at any time prior to the expiration of the Subscription Warrants to (a) buy and sell Subscription Warrants in the open market or otherwise, such purchases and sales to be made for the accounts of the Underwriters as nearly as practicable in proportion to their respective underwriting obligations, on such terms and at such prices as the Representative may determine, and to exercise or determine not to exercise any Subscription Warrants so purchased and (b) offer and sell Common Stock for the accounts of the Underwriters as nearly as practicable in proportion to their respective underwriting obligations, either firm or subject to allotment or to prior subscription through the exercise of Subscription Warrants, by public offering, in the open market, at private sale, or otherwise, for long account to the extent of any Common Stock purchased for the accounts of the Underwriters under any provisions of the Agreement Among Underwriters or issuable upon the exercise of Subscription Warrants purchased for the accounts of the Underwriters under any provisions of the Agreement Among Underwriters or for short account in anticipation of the purchase of Common Stock by or for the accounts of the Underwriters (whether such shares be unsubscribed stock or Common Stock purchased through the exercise of Subscription Warrants), on such terms and at such prices as the Representative may determine, provided that in each instance the price shall be not less than the subscription price less the amount of any concession allowed to members of the National Association of Securities Dealers, Inc., and not more than the last sale price of Common Stock on the New York Stock Exchange in the last preceding 24-hour period in which such stock was sold on said Exchange plus an amount equal to Stock Exchange brokerage commissions on sales thereof and which the Underwriters intend shall not be varied within any 24-hour period except that such price may be reduced by the Underwriters within any such period; provided that at no time shall the net commitment of any Underwriter for short account or for long account resulting from purchases and sales of Subscription Warrants and/or Common Stock (Subscription Warrants being considered as the equivalent of the number of shares of Common Stock purchasable upon the exercise thereof) as so permitted and pursuant to the stabilization provisions exceed 15% of the maximum number of shares of Common Stock which such Underwriter has agreed to purchase under the Purchase Contract. In connection with any such offering of Common Stock the Representative may allow a concession to members of the National Association of Securities Dealers, Inc. (including any of the Underwriters) of not in excess of 60¢ per share. Each Underwriter has agreed that, prior to the expiration of the Subscription Warrants, it will not, for its own account, buy or sell Common Stock or Subscription Warrants, except with the written consent of the Representative and subject to such terms and conditions as the Representative may prescribe.

After the expiration of the Subscription Warrants, the unsubscribed stock, together with Common Stock purchased for the accounts of the Underwriters upon exercise of the Subscription Warrants,

or otherwise, may be sold by the Underwriters, or by the Representative for their respective accounts, as the Representative may determine, by general public offering or at private sale or otherwise and on such terms, and at such prices, as the Representative may determine. The Representative is authorized to determine whether there shall be a general public or private offering of such Common Stock, the time thereof, the initial public offering price (which may be changed from time to time by the Representative because of market conditions) the concessions to dealers, and to reserve for sale and to sell Common Stock to such dealers or to others. Sales to dealers are to be made pursuant to a Selected Dealers Agreement in substantially the form filed as Exhibit 14c to the registration statement.

The Agreement Among Underwriters provides that the Underwriters will not during the life of such Agreement, or such shorter period as the Representative may determine, buy or sell for their own account Common Stock or Subscription Warrants, except as otherwise provided in such Agreement; provided, however, that any Underwriter may sell Common Stock beneficially owned by it on the date of the Purchase Contract and may sell any Subscription Warrants issued with respect to Common Stock so owned and may exercise any such Subscription Warrants and sell Common Stock acquired upon such exercise, and may buy or sell Common Stock or Subscription Warrants as a broker pursuant to unsolicited orders. In the event that prior to the termination of the Selected Dealers Agreement the Representative purchases, or contracts to purchase, for the accounts of the several Underwriters, at or below the offering price, any Common Stock delivered to Selected Dealers, the Selected Dealer who received delivery of said Common Stock agrees to repay to the Representative for the accounts of the several Underwriters the amount of the concession to Selected Dealers plus brokerage commissions and transfer taxes paid in connection with such purchase or contract to purchase.

Under the Agreement Among Underwriters, any Common Stock sold by or through any of the Underwriters (other than through the Representative) which shall be purchased or contracted for during the life of the Agreement Among Underwriters by the Representative, at or below the public offering price thereof, shall be repurchased by the Underwriter by whom such Common Stock was originally purchased, at a price equal to the cost of such purchase plus tax on redelivery and commission, if any. In lieu of delivering such Common Stock to any Underwriter obligated to repurchase the same, the Representative may in its discretion sell the same for the account of such Underwriter, publicly or privately, at such price and upon such terms and to such persons, including any of the other several Underwriters, as it may determine, charging the amount of any loss and expense or crediting the amount of any profit, less any expense resulting from such sale, to such Underwriter.

The Agreement Among Underwriters further provides that, in order to facilitate the distribution of the Common Stock, the Representative, for the account of each Underwriter, during the life of the Agreement Among Underwriters, unless this authorization is sooner surrendered, may make purchases and sales of Subscription Warrants or Common Stock (but without obligation to do so), in the open market or otherwise for long or short account, on a when-delivered basis or otherwise, at such prices, in such amounts and in such manner as the Representative may determine, and, in arranging for sales to Selected Dealers, may over-allot for the account of such Underwriter, and may cover such over-allotments; provided that at no time shall the net commitment of such Underwriter, either for long or short account, resulting from such purchases or sales (including over-allotments) plus the net commitment summarized above, exceed 15% of the maximum number of shares of Common Stock which such Underwriter has agreed to purchase under the Purchase Contract (Subscription Warrants being considered as the equivalent of the number of shares of Common Stock purchasable upon the exercise thereof). Any long position resulting from such purchases shall be for the respective accounts of such Underwriters as nearly as practicable in proportion to their respective underwriting obligations, and each such Underwriter agrees to take up at cost on demand any such Subscription Warrants or Common Stock so purchased for its account, and any short position resulting from such sales (including over-allotments) shall be for the respective accounts of such Underwriters as nearly as practicable in proportion to their respective underwriting obligations, and each such Underwriter agrees to deliver on demand any such Subscription Warrants or Common Stock so sold or over-allotted. Purchases of Common Stock by the Representative prior to the execution of the Agreement Among Underwriters in connection with stabilization shall be treated as having been made for the accounts of the Underwriters pursuant to the foregoing authorization. The existence of the foregoing provisions is no assurance that the price of either the Common Stock or Subscription Warrants will be stabilized or such stabilizing, if commenced, may not be discontinued at any time. Any stabilizing operations may have an effect on the prices of the Subscription Warrants and the Common Stock of TWA.

The Agreement Among Underwriters provides that the Agreement shall terminate at the close of business on the 45th day after the closing date unless earlier terminated by the Representative.

The foregoing statements are based upon information furnished to TWA by the Underwriters through their Representative and are qualified in their entirety by the terms of the agreements governing the terms

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of offering—the form of Agreement Among Underwriters and the form of Selected Dealers Agreement filed with the registration statement as Exhibits 14b and 14c, respectively, to which reference is hereby made.

LITIGATION

Reference is made to the caption "History and Business" and particularly to the subcaption "Proceedings before Regulatory Authorities" thereunder for a statement concerning proceedings under or pursuant to the Civil Aeronautics Act of 1938 in which TWA is involved.

An action has been commenced in the Supreme Court of the State of New York, County of New York, through the service of a summons without complaint by Edward Blatz et al., plaintiffs, against forty-six defendants who appear to be certain present or former officers and directors of TACA Airways, S. A., and affiliated companies and individuals and corporations who now are or formerly were stockholders thereof and others, including TWA, the basis of which will be unknown to TWA unless and until a complaint is served therein. The summons was served on TWA on February 24, 1948.

There is pending in the United States District Court for the District of Delaware an action by Paul Snider, a TWA stockholder, against TWA, seeking a permanent injunction restraining the conversion into Common Stock of the Subordinated Convertible 2½% Notes of TWA issued to Hughes Tool Company. The plaintiff in this action sought a temporary injunction, which was denied by the court, following which the Common Stock was issued and the Subordinated Convertible 2½% Notes were canceled, as described above under the caption "History and Business—Relations with Hughes Tool Company".

There are at present a number of suits pending against TWA in various courts for the purpose of seeking damages claimed to have resulted from deaths or injuries to passengers from accidents sustained by aircraft operated by TWA. Additional suits of this character may be instituted. TWA carries insurance, within substantial limits, against liability for injuries to or deaths of passengers, but in some of these suits damages claimed exceed such limits. Suits of this character are handled through insurance companies and their counsel. There are also pending against TWA certain insured and uninsured claims of the type commonly brought against air carriers, including, among others, claims for alleged delays, refusal to accommodate, and loss or damages in excess of prescribed tariff limits to baggage or other property transported by TWA. It is impossible to predict the result of this type of litigation, either as to who will prevail or the amount of damages in the event of a verdict adverse to TWA, but the management of TWA knows of no litigation of such type pending or threatened against TWA which might result in liability, over and above any insurance coverage in respect thereof, that would materially affect TWA's financial condition or interfere with its operations.

On December 13, 1948, an action was instituted by TWA and seven other air carriers, holding leases for the use of facilities at New York International Airport, against The Port of New York Authority, its commissioners, individually and as commissioners, and its Executive Director and its Director of Airport Development, for a declaration of the rights of the plaintiffs under their leases, and for injunctive and other relief, in the Supreme Court of the State of New York, Queens County. On January 14, 1949, all the defendants appeared specially and served notice of a motion returnable January 19, 1949, for an order and judgment dismissing the complaint on the grounds that it appears from the face of the complaint that the court has not jurisdiction of the persons of the defendants and has not jurisdiction of the subject of the action. Said motion was argued on January 19, 1949, all the defendants then contending in effect that they were immune from suit.

LEGAL OPINIONS

The legality of the Common Stock offered hereby, and of the Subscription Warrants, will be passed upon by Chadbourne, Wallace, Parke & Whiteside, 25 Broadway, New York 4, N. Y., counsel for TWA. The legality of the Common Stock purchased from TWA by the Underwriters under the Purchase Contract described herein will be passed upon by Chadbourne, Hunt, Jaeckel & Brown, 70 Pine Street, New York 5, N. Y., counsel for the Underwriters.

EXPERTS

The financial statements and supporting schedules included in this prospectus and in the registration statement have been certified by Haskins & Sells. This firm of accountants has also reviewed the Summary of Consolidated Operations of TWA and subsidiaries for the ten years and seven months ended July 31, 1948, set forth on page 6 hereof. All such statements, schedules and information are included in the registration statement and this prospectus in reliance upon reports and opinions of such firm as experts.

**TRANSCONTINENTAL & WESTERN AIR, INC.
AND SUBSIDIARIES**

**INDEX TO FINANCIAL STATEMENTS INCLUDED IN
REGISTRATION STATEMENT**

The following are included in the prospectus:

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Balance Sheets, July 31, 1948:	
Company and Consolidation.....	44-45
Statement of Consolidated Profit and Loss for the Three Years and Seven Months Ended July 31, 1948.....	46
Statement of Earned Surplus for the Three Years and Seven Months Ended July 31, 1948:	
Company and Consolidation.....	47
Statement of Capital Surplus for the Three Years and Seven Months Ended July 31, 1948:	
Company and Consolidation.....	47
Notes to Financial Statements.....	48-52
Supplementary Profit and Loss Information:	
Consolidation	53-55

The following schedules are included in the registration statement but are omitted from the prospectus:

Schedules:

V. Property, Plant, and Equipment:	
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VI. Reserves for Depreciation, Amortization, and Obsolescence of Property, Plant, and Equipment:	
Company and Consolidation.....	S-5-S-8
VII. Intangible Asset:	
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IX. Funded Debt:	
Company and Consolidation.....	S-10
XII. Reserves:	
Company and Consolidation.....	S-11
XIII. Capital Shares:	
Company and Consolidation.....	S-12
XV. Other Securities:	
Company and Consolidation.....	S-13

SCHEDULES OMITTED

The following schedules are omitted because of the absence of the conditions under which they are required:

Company —I, II, III, IV, VIII, X, XI, XIV, XVI, XVII.
Consolidation —I, II, III, IV, VIII, X, XI, XIV, XVII.

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CERTIFICATE OF INDEPENDENT PUBLIC ACCOUNTANTS

TRANSCONTINENTAL & WESTERN AIR, INC.:

We have examined the financial statements and schedules of Transcontinental & Western Air, Inc., and of Transcontinental & Western Air, Inc. and its subsidiary companies consolidated, for the three years and seven months ended July 31, 1948, listed in the index on the preceding page. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; it was not practicable to confirm receivables from United States Government departments and foreign governments but we have satisfied ourselves with respect to such receivables by means of other auditing procedures. Having previously made similar examinations for the seven years ended December 31, 1944, we also have reviewed the Summary of Consolidated Operations for the ten years and seven months ended July 31, 1948, which is included in this prospectus.

In our opinion, the accompanying balance sheets and statements of consolidated profit and loss and surplus, with their footnotes, present fairly the financial position of the companies at July 31, 1948 and the results of their operations for the three years and seven months then ended; the Summary of Consolidated Operations, with its footnotes, summarizes fairly the results of operations for the ten years and seven months ended July 31, 1948; and the schedules present fairly the required information for the three years and seven months ended July 31, 1948; all in conformity with generally accepted accounting principles which, except for the changes, which we approve, in the basis of providing for depreciation of flight equipment in 1946, 1947, and 1948, explained in Note 11 to Financial Statements, were applied on a consistent basis.

HASKINS & SELL.

Kansas City, Missouri,
 February 11, 1949.

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As of October 4, 1948 (except with respect to the application of the retroactive increase granted in December 1948 in the temporary rate for carriage of mail on the Company's international route, as set forth in Note 8 to Financial Statements).

**TRANSCONTINENTAL & WESTERN AIR, INC.
AND SUBSIDIARIES**

Balance Sheets, July 31, 1948

ASSETS

	<u>Company</u>	<u>Consolidation</u>
CURRENT ASSETS:		
Cash on hand and demand deposits (less reserve of \$55,000 for foreign exchange loss—Note 1).....	\$ 6,947,129	\$ 6,995,761
Special deposits—payroll withholding, transportation taxes, etc.....	\$ 1,206,165	\$ 1,206,165
Accounts receivable:		
United States Government:		
Passenger and mail transportation (Note 8).....	\$ 4,409,919	\$ 4,409,919
Other charges (less reserve \$127,258).....	18,017	19,145
Governments outside the United States.....	1,235,683	1,235,683
Other airlines and agents—traffic and express balances.....	2,818,364	2,818,364
Subscribers to air travel plan.....	1,736,290	1,736,290
Employees' travel and other advances and accounts.....	124,496	124,526
Indebtedness of affiliate—eliminated in consolidation.....	3,272	—
Other accounts receivable.....	1,750,242	1,761,360
Total accounts receivable.....	\$12,096,283	\$12,105,287
Less reserve for doubtful receivables.....	999,282	1,001,136
Net accounts receivable.....	\$11,097,001	\$11,104,151
Inventory of materials and supplies, at average cost (approximately \$212,000 pledged as collateral to notes payable).....	\$ 1,701,193	\$ 1,709,919
Total current assets.....	\$20,951,488	\$21,015,996
INVESTMENTS AND ADVANCES:		
Securities of affiliate—eliminated in consolidation (Note 2).....	\$ 123,523	—
Other security investments and advances (less reserve \$82,506) (Note 3).....	641,149	\$ 641,149
Total investments and advances.....	\$ 764,672	\$ 641,149
PROPERTY, PLANT, AND EQUIPMENT, INCLUDING SPARE PARTS AND ASSEMBLIES (Note 1):		
Cost.....	\$70,058,445	\$70,178,640
Less reserves for depreciation, amortization, and obsolescence (Note 11).....	22,255,138	22,289,072
Property, plant, and equipment—net book value (aircraft and spare parts of a net book value of approximately \$19,713,000 pledged as collateral to notes payable).....	\$47,803,307	\$47,889,568
INTANGIBLE ASSET—Air route acquired through Marquette Airlines, Inc. subsidiary dissolved in 1947 (Note 4).....	\$ 309,801	\$ 309,801
DEFERRED CHARGES:		
International Division development expenses—unamortized portion (Note 9).....	\$ 1,663,927	\$ 1,663,927
Prepaid insurance, taxes, rents, etc.....	1,241,490	1,242,742
Unamortized expenditures relating to construction of municipal airports—deductible from rentals payable over remaining period of leases.....	349,206	349,206
Long-term debt expense—unamortized portion (Note 5).....	232,068	232,068
Miscellaneous.....	44,479	44,479
Total deferred charges.....	\$ 3,531,170	\$ 3,532,422
Total.....	\$73,360,438	\$73,388,936

The above statement should be considered in conjunction with the accompanying "Notes to Financial Statements". With respect to commitments, contingent liabilities, litigation, long-term lease obligations, etc., reference should be made to Note 16.

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**TRANSCONTINENTAL & WESTERN AIR, INC.
AND SUBSIDIARIES**

Balance Sheets, July 31, 1948

LIABILITIES

	<u>Company</u>	<u>Consolidation</u>
CURRENT LIABILITIES:		
Notes payable to banks—portion due within one year.....	\$ 3,452,206	\$ 3,452,206
Sinking fund instalments on Series A and B debentures—due within one year (Note 6).....	1,500,000	1,500,000
Accounts payable.....	3,126,514	3,136,557
Transportation tax, employees' deductions, etc.....	1,134,228	1,136,483
Other airlines and agents—traffic balances payable.....	204,910	204,910
Air travel plan and other deposits.....	1,825,697	1,825,697
Accrued salaries and wages.....	1,683,356	1,688,035
Other accrued liabilities.....	1,456,990	1,458,390
Indebtedness to affiliate—eliminated in consolidation.....	3,113	—
Total current liabilities.....	<u>\$14,387,014</u>	<u>\$14,402,278</u>
TRANSPORTATION SOLD BUT NOT USED (classified as non-current liability in conformity with Civil Aeronautics Board account classification).....	\$ 5,478,185	\$ 5,478,185
LONG-TERM DEBT—Portion maturing after one year:		
Notes payable to banks (Notes 7 and 14):		
2% Notes, maturing \$85,000 quarterly beginning September 1, 1949 (final maturity \$22,915)—five Boeing Stratoliners of a net book value of \$837,000 pledged as collateral.....	\$ 277,915	\$ 277,915
3% Notes, maturing \$282,928 monthly beginning August 31, 1949—twenty-one Constellation airplanes and certain related spare parts and materials, all of a net book value of \$19,088,000, pledged as collateral.....	13,014,683	13,014,683
Sinking Fund Series A and B 3% Debentures (Note 6) (sinking fund instalments payable within one year included in current liabilities).....	38,000,000	38,000,000
Instalment contracts for purchase of bulk storage facilities (instalments of \$19,658 due within one year included in accounts payable).....	71,945	71,945
Total long-term debt.....	<u>\$51,364,543</u>	<u>\$51,364,543</u>
EQUITY OF CAPITAL STOCK AND CONVERTIBLE NOTES:		
Capital stock—authorized 3,000,000 shares (increased to 4,000,000 shares in August 1948), par value \$5 per share; 2,013,937 unissued, of which 1,034,423 shares were issued in August 1948 in conversion of 2¾% convertible notes and accrued interest thereon, and 74 shares are subject to option to employees; outstanding, 986,063 shares.....	\$ 4,930,315	\$ 4,930,315
Capital surplus—paid-in (per statements of capital surplus).....	4,519,006	4,510,006
Subordinated convertible 2¾% notes and accrued interest thereon to June 18, 1948 (converted to common capital stock in August 1948 at \$10 per share).....	10,344,239	10,344,239
Total.....	<u>\$19,784,560</u>	<u>\$19,784,560</u>
Deduct earned surplus deficit (per statements of earned surplus) (see Note 6 as to dividend restrictions).....	17,653,864	17,640,630
Equity of capital stock and convertible notes.....	\$ 2,130,696	\$ 2,143,930
Total.....	<u>\$73,360,438</u>	<u>\$73,388,936</u>

The above statement should be considered in conjunction with the accompanying "Notes to Financial Statements". With respect to commitments, contingent liabilities, litigation, long-term lease obligations, etc., reference should be made to Note 16.

**TRANSCONTINENTAL & WESTERN AIR, INC.
AND SUBSIDIARIES**

**Statement of Consolidated Profit and Loss
For the Three Years and Seven Months Ended July 31, 1948**

	Year Ended December 31			Seven Months Ended July 31, 1948
	1945	1946	1947	
OPERATING REVENUE:				
Passenger	\$23,895,949	\$45,416,625	\$62,019,704	\$39,512,107
Mail (Note 8)	7,237,379	6,211,811	8,648,631	9,764,717
Express and freight	2,031,592	2,981,521	5,267,750	3,035,902
Excess baggage	286,056	810,941	1,231,968	792,299
Non-scheduled transportation services	106,496	1,680,658	802,230	222,013
Other—net	218,234	259,437	551,028	280,511
Total operating revenue	\$33,776,106	\$57,360,993	\$78,521,311	\$53,607,549
OPERATING EXPENSES (Note 9):				
Flying operations	\$ 6,760,401	\$14,878,597	\$19,911,207	\$15,934,870
Flight equipment maintenance—direct (Note 10)	2,314,745	6,092,292	9,364,808	6,098,365
Depreciation of flight equipment and amortization of leased aircraft conversion costs (Note 11)	1,659,784	4,813,340	5,738,716	3,586,628
Provision for obsolescence of flight equipment spare parts	61,199	76,318	721,374	301,094
Ground operations	5,096,757	11,367,829	11,399,449	7,199,464
Ground and indirect maintenance	2,044,617	7,609,754	9,089,075	5,369,160
Passenger service	2,781,369	5,739,904	6,336,161	3,738,039
Traffic and sales	3,802,146	8,361,312	9,547,155	6,244,809
Advertising and publicity	1,066,917	2,089,497	2,079,067	1,386,826
General and administrative	4,218,596	9,992,299	9,253,889	5,532,497
Provision for officers' and employees' incentive compensation	141,618	—	—	—
Depreciation and amortization of ground equipment and property	326,559	699,971	1,328,521	757,066
Extension and development expense	300,733	286,160	150,786	62,690
Amortization of International Division development expense (Note 9)	—	318,624	424,833	247,819
Total operating expenses	\$30,575,841	\$72,285,897	\$85,345,041	\$56,459,327
Loss (Profit) FROM OPERATIONS	(\$ 3,200,265)	\$14,924,904	\$ 9,823,730	\$ 2,851,778
OTHER INCOME CHARGES:				
Interest on funded debt	\$ 23,333	\$ 797,583	\$ 1,200,000	\$ 697,500
Interest on subordinated convertible 2½% notes	—	—	216,158	128,082
Other interest	14,025	55,210	84,963	181,390
Additional compensation of employees, representing excess of market value of capital stock issued under Employees' Stock Purchase Plan over amount received for stock under options granted in 1938, 1939, and 1940 (Note 12)	392,527	22,332	1,270	491
Amortization of long-term debt expense	693	18,720	25,342	16,782
Net loss (gain) on sale or retirement of property	397,007	(16,589)	(99,263)	220,900
Provision for loss on investments (Note 3)	—	1,625,750	—	896,903
Provision for loss on equipment and other assets purchased from Foreign Liquidation Commission	—	226,000	—	—
Provision for loss of escrow deposit made in connection with lease of office space	—	108,002	—	—
Provision for foreign income taxes	—	—	50,000	—
Miscellaneous	19,729	51,184	106,542	121,725
Total other income charges	\$ 847,318	\$ 2,888,192	\$ 1,585,012	\$ 2,263,773
TOTAL (credit)	(\$ 2,352,947)	\$17,813,096	\$ 8,408,742	\$ 5,115,551
OTHER INCOME CREDITS:				
Fees and net recoveries on United States Government contracts	\$ 172,515	\$ 189,111	\$ 155,098	—
Interest, discounts, etc.	101,529	78,281	54,500	\$ 38,921
Dividends received on security investments	8,268	12,389	—	—
Reversal of insurance reserve provided in prior years	333,121	—	—	—
Miscellaneous	15,051	163,696	119,383	68,389
Total other income credits	\$ 630,484	\$ 443,477	\$ 328,981	\$ 107,310
NET LOSS (INCOME) BEFORE PROVISION FOR INCOME TAXES	(\$ 2,983,431)	\$17,369,619	\$ 8,079,761	\$ 5,008,241
PROVISION FOR FEDERAL AND STATE INCOME TAXES (credit in 1946 representing \$3,105,842 refund of Federal income taxes resulting from carry-back of 1946 loss, less \$89,400 additional taxes for prior years)	1,169,855	(3,016,382)	—	—
NET LOSS (INCOME) FOR THE PERIOD (Notes 8 and 17)	(\$ 1,813,576)	\$14,353,237	\$ 8,079,761	\$ 5,008,241

The above statement should be considered in conjunction with the accompanying "Notes to Financial Statements".

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**TRANSCONTINENTAL & WESTERN AIR, INC.
AND SUBSIDIARIES**

Statements of Surplus

For the Three Years and Seven Months Ended July 31, 1948

Earned Surplus

	<u>Company</u>	<u>Consolidation</u>
EARNED SURPLUS, JANUARY 1, 1945	\$ 7,278,670	\$ 7,300,272
NET INCOME FOR THE YEAR 1945	1,806,345	1,813,576
EARNED SURPLUS, DECEMBER 31, 1945	\$ 9,085,015	\$ 9,113,848
NET LOSS FOR THE YEAR 1946 (Note 8)	14,345,371	14,353,237
EARNED SURPLUS DEFICIT, DECEMBER 31, 1946	\$ 5,260,356	\$ 5,239,389
NET LOSS FOR THE YEAR 1947	8,075,485	8,079,761
TOTAL	\$13,335,841	\$13,319,150
DEDUCT—Portion of additional mail revenue applicable to year 1946 received from United States Government on retroactive rate increase on International route (Note 8)	686,761	686,761
EARNED SURPLUS DEFICIT, DECEMBER 31, 1947	\$12,649,080	\$12,632,389
NET LOSS FOR THE SEVEN MONTHS ENDED JULY 31, 1948	5,004,784	5,008,241
EARNED SURPLUS DEFICIT, JULY 31, 1948	\$17,653,864	\$17,640,630

Capital Surplus

	<u>Company</u>	<u>Consolidation</u>
BALANCE, JANUARY 1, 1945	\$ 4,073,807	\$ 4,073,807
ADD—Excess of market value over par value of 9,899 shares of capital stock issued in 1945 under Employees' Stock Purchase Plan (Note 12)	411,600	411,600
BALANCE, DECEMBER 31, 1945	\$ 4,485,407	\$ 4,485,407
ADD—Excess of market value over par value of 444 shares of capital stock issued in 1946 under Employees' Stock Purchase Plan (Note 12)	22,822	22,822
BALANCE, DECEMBER 31, 1946	\$ 4,508,229	\$ 4,508,229
ADD—Excess of market value over par value of 89 shares of capital stock issued in 1947 under Employees' Stock Purchase Plan (Note 12)	1,248	1,248
BALANCE, DECEMBER 31, 1947	\$ 4,509,477	\$ 4,509,477
ADD—Excess of market value over par value of 45 shares of capital stock issued in 1948 under Employees' Stock Purchase Plan (Note 12)	529	529
BALANCE, JULY 31, 1948	\$ 4,510,006	\$ 4,510,006

The above statements should be considered in conjunction with the accompanying "Notes to Financial Statements".

TRANSCONTINENTAL & WESTERN AIR, INC. AND SUBSIDIARIES

Notes to Financial Statements

1. The Company is currently operating in fourteen foreign countries. Foreign currency amounts of cash, accounts receivable, and accounts payable, are expressed in United States dollars in the foregoing balance sheets at official rates of exchange in the absence of free market rates. Standard rates approximating official rates prevailing during the period are used in converting foreign currency revenues and expenses. The balance sheets include approximately \$1,300,000 of such foreign net current assets (represented by cash of \$651,479, receivables of \$1,716,979, less payables of \$1,087,961), of which approximately \$800,000 (represented by Egyptian pounds of \$505,150, Italian lire of \$171,869, and Palestinian pounds of \$107,818) relates to countries having restrictions at July 31, 1948 on conversion into United States dollars. The Company has provided a reserve of \$55,000 for probable loss on conversion of foreign currency. With respect to the receivables from foreign governments, \$1,235,683, there had been collected by December 31, 1948, according to cabled and other preliminary advices received by the Company, an aggregate of approximately \$900,000.

In addition, the Company has at overseas locations materials and supplies amounting to \$270,000 and ground equipment and spare parts of a net book value of approximately \$2,162,000, substantially all of which were purchased with United States dollars. These amounts include \$139,000 of materials and supplies, and \$1,040,000 (net book value) of ground equipment and spare parts located at Cairo, Egypt, which were acquired principally for use at a maintenance base, the operation of which has been curtailed by the Company. Due to restrictions by the Egyptian Government, only nominal amounts of the above property may be removed from that country for use elsewhere.

2. All subsidiaries are wholly-owned and are consolidated in the accompanying financial statements. As shown by its books at July 31, 1948 the Company's equity investment in New Mexico Airport Corporation was \$13,234 less than the net worth of that company, as shown by the books of the latter. In consolidation this excess is included in earned surplus deficit. TWA Agency Limited, a subsidiary, is consolidated in 1946 and 1947 but was liquidated as of January 31, 1948, and is being dissolved. Marquette Airlines, Inc., a subsidiary, was dissolved in 1947.
3. In 1946 the Company wrote down its 275,000 share investment in TACA stock by the amount of \$1,100,000 and also provided an additional \$525,750 for loss on 60,000 shares of TACA stock which the Company was obligated to purchase and did purchase in 1947. The foregoing constituted a provision for the loss which would result from exercise of options for the sale of 335,000 shares of TACA stock at \$2 per share.

In July 1948 the Company wrote off \$669,999 representing the remaining portion of this investment, and also reduced certain other investments in associated companies to estimated values as determined from latest available unaudited financial statements and supplemental data. The total of such charges against income for the seven months ended July 31, 1948 amounted to \$896,903.

4. The intangible asset represents the excess of the cost of the entire outstanding capital stock of Marquette Airlines, Inc. over the Company's equity in the assets of that subsidiary at date of acquisition as shown by its books. Marquette Airlines, Inc. owned Certificate of Public Convenience and Necessity authorizing the carriage of passengers and express between St. Louis, Cincinnati, Toledo, and Detroit. The Certificate was subsequently transferred to Transcontinental & Western Air, Inc. No provision is made for amortization of this asset.
5. The long-term debt expense relating to the Series A and B Sinking Fund Debentures and the 3% notes payable to banks is being amortized on a straight-line basis over the life of these obligations.
6. Under the indenture dated December 1, 1945, relating to the outstanding sinking fund debentures, there are various restrictions on the payment of dividends, including a provision that cash dividends declared shall not exceed Consolidated Net Income subsequent to December 31, 1945. Consolidated earned surplus at December 31, 1945 thus restricted was \$9,113,848.

The Series A debentures mature on June 1, 1956, but sinking fund payments for their retirement in advance of maturity are required in amounts of \$1,000,000 on May 28, 1949 and \$2,000,000 annually thereafter to and including May 28, 1955, leaving a balance of \$16,500,000 payable on June 1, 1956, the maturity date.

The Series B debentures mature on December 1, 1955 and similar sinking fund payments for retirement of these debentures are required in amounts of \$500,000 on November 27, 1948, \$1,000,000 annually thereafter to and including November 27, 1953, \$2,000,000 on November 27, 1954, and the remainder of \$2,500,000 is payable on December 1, 1955.

Additional sinking fund payments for the retirement of Series A and B debentures are required annually beginning November 27, 1948, in an amount equal to the excess of net income of the Company since

TRANSCONTINENTAL & WESTERN AIR, INC.
AND SUBSIDIARIES

Notes to Financial Statements—(Continued)

December 31, 1946, plus interest accrued on the subordinated convertible notes issued in 1947, over all sinking fund payments previously made, the total sinking fund payments to be limited, however, to an amount equal to the product of \$4,000,000 multiplied by the number of fiscal years completed subsequent to December 31, 1946, plus \$4,000,000 in respect of the then current fiscal year.

For particulars relating to negotiations consummated in February, 1949, between the Company and The Equitable Life Assurance Society of the United States (the holder of the Company's outstanding Series A and B Debentures), see the caption "Funded Debt—Debentures".

7. As of March 25, 1948, the Company entered into a credit agreement and various other agreements with banks and others for the purpose of financing the purchase of a maximum of \$15,200,000 of additional Constellation airplanes and related engines, propellers, and spare parts, and refinancing \$3,576,943 of 2% purchase money obligations which were issued during 1946 and 1947 in connection with the acquisition of nine Constellation airplanes. Pursuant to these agreements, the Company refunded the 2% purchase money obligations by the delivery of 3% promissory notes and at July 31, 1948 had received delivery of twelve new Constellation airplanes and certain related spare parts and assemblies at an aggregate cost of \$12,549,947. The new airplanes purchased, the materials, and spare parts owned and maintained for use on the new aircraft, and the nine Constellation airplanes previously acquired, all of an aggregate net book value of \$19,088,000 at July 31, 1948, were pledged under the terms of a chattel mortgage, as collateral to the 3% notes payable. For the loss of one of the nine Constellations above mentioned see the caption "History and Business—Other Recent Developments".

The notes which replaced the 2% purchase money obligations, as well as those delivered for the new aircraft, materials and spare parts bear interest of 3% per annum and are payable beginning September 30, 1948, in fifty-seven equal monthly instalments. Such notes delivered subsequent to September 30, 1948 are payable in equal monthly instalments beginning with the last day of the month of delivery and ending May 31, 1953.

Five Boeing Stratoliners of a net book value of \$837,000 are pledged as collateral to the 2% notes payable outstanding at July 31, 1948.

At July 31, 1948 the aggregate net book value of Boeing Stratoliners, Constellation airplanes, parts and materials pledged as collateral to notes payable to banks was \$19,925,000, consisting of materials and supplies of \$212,000 (classified as current assets in the accompanying balance sheet) and property of a net book value of \$19,713,000.

8. In November 1947 the Civil Aeronautics Board granted an increase retroactively to February 1946 in the temporary rate for carriage of United States mail on international routes (see Statement of Earned Surplus) and in May 1948 granted an additional increase, retroactive to January 1948, in rates for carriage of mail on both domestic and international routes. In December 1948 the Company was granted and received payment for an additional increase retroactive to January 1, 1948, in the temporary rate for carriage of mail on its international route. The portion of such increase applicable to the seven months ended July 31, 1948, amounting to approximately \$1,680,800, has been given effect in the accompanying financial statements by its inclusion in mail revenue for the related period, and in accounts receivable from the United States Government as of July 31, 1948. Proceedings are pending with respect to final rates, and the temporary rates on both domestic and international routes are subject to retroactive increase or decrease upon the fixing of final rates by the Civil Aeronautics Board.
9. During 1945 the Company deferred and charged to International Division development expense, charges aggregating \$943,930 relating to the development and extension of air routes to Europe and the Middle East. In the year 1946 operating expenses of the Company for that year were reduced by \$1,711,273 representing the excess of International Division expenses during the three months ended March 31, 1946 over total International Division revenue of \$2,147,996 earned on foreign air routes during that period, and such excess of expenses over revenue was also deferred and charged to International Division development expense. No additional charges have been made to this deferred expense account, which is being amortized over the period from April 1, 1946 to July 4, 1952, the latter date being the expiration date of the Temporary Certificate of Convenience and Necessity issued by the Civil Aeronautics Board.
10. Maintenance and repairs of property are charged to operating expenses. Major renewals, replacements, and betterments are capitalized, with the following exception. During the latter part of 1947 and the first half of 1948 the Company purchased a considerable number of war surplus engines for use on

TRANSCONTINENTAL & WESTERN AIR, INC.
AND SUBSIDIARIES

Notes to Financial Statements—(Continued)

Douglas DC-3 and Boeing Stratoliner planes at a cost per engine which is less than the cost of a complete engine overhaul. The Company estimates that during most of the remaining service life of the related planes the quantity of engines purchased will make possible the replacement of a used engine with a new engine at the time when complete engine overhaul is normally required. The engines purchased for this purpose were capitalized when acquired and are not depreciated but are charged to maintenance (in lieu of overhaul costs) when installed on the plane. Engines in service on the Boeing Stratoliners at the time the program was inaugurated were retained as stand-by equipment and are depreciated over the life of the related planes, but the engines replaced by new engines on DC-3 planes were scrapped and were written off in July 1948.

11. It is the Company's policy to provide for depreciation on the basis of the estimated useful life of the respective classes of property, such estimates being revised whenever justified by experience. The accumulated depreciation on properties sold or disposed of is treated as a reduction of the original cost, and the profit or loss on sale or other disposition is credited or charged to income.

The basis of computing depreciation and amortization of conversion costs on owned and leased DC-3 aircraft and related engines and radio installation costs was changed effective January 1, 1946 to extend the estimated life from various dates in 1946 and 1947 to December 31, 1947. Effective January 1, 1947, the estimated service life of this equipment was again extended, to June 30, 1949. In addition, the estimated service lives of other classes of flight equipment were changed effective January 1, 1947 as follows: owned C-54 aircraft and related engines from various dates in 1950 and 1951 to December 31, 1950; and Constellation aircraft from various dates in 1953 to December 31, 1953. As of January 1, 1948 the estimated service life of owned and leased DC-3 aircraft was again extended, to December 31, 1950 or the end of the lease (as regards leased aircraft) whichever was sooner. The changes in the basis of computing depreciation were not made retroactively to date of acquisition but were effected as of the beginning of the year in which the revision was made. The following shows a comparison of depreciation actually provided for the above flight equipment with what it would have been had the basis used during the seven months ended July 31, 1948 been in effect for the entire period of three years and seven months:

	Year Ended December 31			Seven Months Ended July 31, 1948
	1945	1946	1947	
Depreciation actually provided	\$1,104,000	\$3,544,000	\$3,998,000	\$2,244,000
Depreciation computed on basis used during seven months ended July 31, 1948	311,000	2,274,000	4,166,000	2,635,000
Reduction (increase) in provision for depreciation which would have resulted	\$ 793,000	\$1,270,000	(\$ 168,000)	(\$ 391,000)

Due to the fact that shorter estimated service lives were used as bases for depreciation in the years above prior to 1948, the remaining undepreciated value of the affected aircraft at December 31, 1947 was less than it would have been had the basis used in 1948 been in effect during prior years. This resulted in a depreciation provision for the seven months ended July 31, 1948 which was less than it would have been had the estimated terminal dates used in 1948 been used throughout the three previous years.

On property and equipment other than that referred to hereinbefore, the following rates of depreciation and amortization are used:

Buildings and improvements:

On land owned—5% to 20% per annum.

On land not owned—based on term of lease or estimated useful life of building or improvement, whichever is shorter.

Flight equipment:

Lockheed Constellation airplanes (sleeper type) purchased in 1948, and related engines—based on period from date of receipt to June 30, 1955, less residual value.

Boeing Stratoliners and related engines and radios—20% per annum less residual value.

Engine and aircraft accessories, propellers, and communication equipment and accessories—25% to 33⅓% per annum.

Passenger service equipment—fixed complement not depreciated; replacements charged to expense.

TRANSCONTINENTAL & WESTERN AIR, INC.
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Notes to Financial Statements—(Continued)

Conversion costs of leased aircraft (other than Douglas DC-3)—amortized over life of lease.

Miscellaneous—25% to 33⅓% per annum.

Other equipment:

Used motorized vehicles and equipment purchased at overseas locations—on basis of estimated life of one year.

Other—5% to 33⅓% per annum.

12. Under the Employees' Stock Purchase Plan adopted by the Board of Directors in 1936 and approved by the stockholders in 1937, provision was made for the granting to officers and employees of options to purchase not in excess of 50,000 authorized but unissued shares of capital stock of the Company, in part consideration of services rendered and to be rendered.

The details of the credits to capital surplus and the charges to income arising from stock transactions pursuant to the above plan during the three years and seven months ended July 31, 1948 are summarized as follows:

Shares Issued	Per Share		Credit to Capital Surplus— Excess of Market Price at Date of Issuance Over Par Value	Income Charge— Excess of Market Price at Date of Issuance Over Subscription Price
	Par Value	Subscription Price		
Year Ended December 31, 1945				
249	\$5.00	\$3.75	\$ 14,044	\$ 14,356
408	5.00	5.85	20,547	20,200
9,242	5.00	7.06	377,009	357,971
9,899			<u>\$411,600</u>	<u>\$392,527</u>
Year Ended December 31, 1946				
63	\$5.00	\$3.75	\$ 3,591	\$ 3,670
178	5.00	5.85	9,033	8,882
203	5.00	7.06	10,198	9,780
444			<u>\$ 22,822</u>	<u>\$ 22,332</u>
Year Ended December 31, 1947				
55	\$5.00	\$3.75	\$ 908	\$ 976
20	5.00	5.85	200	183
14	5.00	7.06	140	111
89			<u>\$ 1,248</u>	<u>\$ 1,270</u>
Seven Months Ended July 31, 1948				
45	\$5.00	\$5.85	\$ 529	\$ 491

At July 31, 1948 there remained 74 shares subject to option. These shares have since been issued.

13. For particulars of the Incentive Compensation Fund for officers and employees (under which the most recent award was that made for the year 1945) reference should be made to the caption "History and Business—Employee Relations".
14. For particulars of the guarantee by Lockheed Aircraft Corporation of certain 3% notes payable to banks, reference should be made to the caption "Funded Debt—3% Promissory Notes".
15. Effective January 1, 1947 the Company revised its classification of income and expense accounts in accordance with Civil Aeronautics Board's revised classification of accounts. For comparative purposes 1945 and 1946 operating expenses of material amount have been reclassified to conform to the revised classification.
16. Commitments, Contingent Liabilities, Litigation, Long-Term Lease Obligations, Etc.:
For particulars of agreement, as of October 1, 1948, between the Company and Hughes Tool Company with respect to the resale of certain aircraft by the latter, reference should be made to the caption "History and Business—Relations with Hughes Tool Company".
The Port of New York Authority has agreed to construct, subject to the Company's approval of plans, certain hangars and other site area improvements at Idlewild Airport at an aggregate cost not to exceed \$16,350,000. Under the terms of the agreement, the Company will be entitled to the

TRANSCONTINENTAL & WESTERN AIR, INC.
AND SUBSIDIARIES

Notes to Financial Statements—(Concluded)

use of such improvements but will not acquire title to them. Annual payments covering the cost of the improvements (with interest at rates related to the interest rates paid by the lessor on the serial bonds—still to be issued—the proceeds of which shall have been used to finance the construction of the respective site area improvements, adjusted to reflect any premium received by the lessor on the sale of such serial bonds) are to be made by the Company over a period of nine to twenty-nine years. For the present status of this agreement see the caption "Property".

The Company was contingently liable at July 31, 1948 in amounts aggregating \$3,300,757 on advances made by the United States Government for foreign government air mail charges, as such payments not recovered by the Government from foreign countries are recoverable from the Company.

Various lawsuits and claims are pending against the Company for a description of which see the caption "Litigation". The management and legal counsel know of no litigation pending or threatened against the Company which might result in liability which, over and above any insurance coverage in respect thereof, would materially affect the Company's financial condition or interfere with its operations. However, the Company and legal counsel are not informed as to the basis of the action brought by Edward Blatz et al., plaintiffs, described under the caption "Litigation", since no complaint has been served in such action.

At July 31, 1948 the aggregate annual amount of rentals on real property leased to Transcontinental & Western Air, Inc., and its subsidiaries, for terms expiring in future years, and the number of such leases, are as follows (exclusive of payments under the Idlewild Airport agreement referred to above):

Particulars	Aggregate Annual Amount of Rentals	Number of Leases
Leases on which rentals are prepaid through leasehold improvements—annual rentals determined by amortization of improvements over life of leases	\$ 21,640	7
Leases on which rentals are payable in cash:		
Leases expiring during:	(Minimum Rentals):	
Year ending July 31:		
1949	\$ 46,906	9
1950	17,649	4
1951	250,255	31
1952	44,552	17
1953	203,249	10
1954	48,856	4
1955	26	2
1956	252,743	8
1957	30,169	3
1958	16,798	6
Five years ending July 31:		
1963	53,192	8
1968	47,680	7
1973	42,000	1
1978	1,161	1
Total	\$1,055,236	111

For purposes of the above tabulation, leases involving payments under each of the above two main captions have been treated as separate leases under each of such captions.

17. An analysis of net loss (income) by domestic and international operations for the period subsequent to 1945 (based upon the Company's records and allocations, and without verification by the independent public accountants) is as follows:

Period	Total	TWA Transcontinental Division	International Division	Subsidiaries
Year Ended December 31:				
1946	\$14,353,237	\$8,356,527	\$6,005,958	(\$ 9,248)
1947	8,079,761	5,511,368	2,520,608	47,785
Seven Months Ended July 31,				
1948	5,008,241	3,140,058	1,873,748	(5,565)
Eleven Months Ended November 30, 1948	2,956,689	3,261,514	(290,662)	(14,163)

TWA Ex. 203, page 55 of 58
(TWA Prospectus, 2/18/49 & Amendments, 3/8/49)

**TRANSCONTINENTAL & WESTERN AIR, INC.
AND SUBSIDIARIES**

**Supplementary Profit and Loss Information
For the Three Years and Seven Months Ended July 31, 1948**

<u>Item</u>	<u>Charged Directly to Operating Expenses</u>	<u>Charged to Other Accounts</u>	<u>Total</u>
Year Ended December 31, 1945			
MAINTENANCE AND REPAIRS (Note 2)_____	\$4,402,522	A\$115,015	\$4,517,537
DEPRECIATION, AMORTIZATION, AND OBsolescence OF FIXED ASSETS (Note 2)_____	\$2,047,542	{B\$ 12,903 A 584	\$2,061,029
TAXES, OTHER THAN INCOME AND EXCESS PROFITS TAXES:			
Real estate and personal property_____	\$ 14,990	*\$ 1,672	\$ 13,318
Social security _____	445,754	A 6,872	452,626
Franchise _____	6,779		6,779
Capital stock _____	62,625		62,625
Gasoline and oil (Note 3)_____	383,859	A 367	384,226
Miscellaneous _____	3,433	A 100	3,533
Total _____	\$ 917,440	\$ 5,667	\$ 923,107
MANAGEMENT AND SERVICE CONTRACT FEES_____	None	None	None
RENTS (Note 5)_____	\$ 770,993	A\$ 34,149	\$ 805,142
Year Ended December 31, 1946			
MAINTENANCE AND REPAIRS (Note 2)_____	\$13,832,341		\$13,832,341
DEPRECIATION, AMORTIZATION, AND OBsolescence OF FIXED ASSETS (Note 2)_____	\$ 5,775,629	{A\$60,980 B 3,223	\$ 5,839,832
TAXES, OTHER THAN INCOME AND EXCESS PROFITS TAXES:			
Real estate and personal property_____	\$ 30,190		\$ 30,190
Social security _____	843,797		843,797
Franchise _____	10,438		10,438
Foreign payroll taxes_____	91,436		91,436
Gasoline and oil (Note 3)_____	534,269		534,269
Miscellaneous _____	24,236		24,236
Total _____	\$ 1,534,366		\$ 1,534,366
MANAGEMENT AND SERVICE CONTRACT FEES_____	None	None	None
RENTS (Note 5)_____	\$ 2,079,178		\$ 2,079,178

The Notes on the second page following are an integral part of this statement.

TRANSCONTINENTAL & WESTERN AIR, INC.
AND SUBSIDIARIESSupplementary Profit and Loss Information
For the Three Years and Seven Months Ended July 31, 1948—(Continued)

Item	Charged Directly to Operating Expenses	Charged to Other Accounts	Total
Year Ended December 31, 1947			
MAINTENANCE AND REPAIRS (Note 2).....	\$19,067,994		\$19,067,994
DEPRECIATION, AMORTIZATION, AND OBsolescence OF FIXED ASSETS (Note 2).....	\$ 7,788,611	D\$21,596	\$ 7,810,207
TAXES, OTHER THAN INCOME AND EXCESS PROFITS TAXES:			
Real estate and personal property.....	\$ 41,634		\$ 41,634
Social security	877,819		877,819
Franchise	26,769		26,769
Foreign payroll taxes.....	103,949		103,949
Gasoline and oil (Note 3).....	938,066		938,066
Clearance, customs, and duties (Note 4).....	375,246		375,246
Miscellaneous	40,403	C\$11,000	51,403
Total	\$ 2,403,886	\$11,000	\$ 2,414,886
MANAGEMENT AND SERVICE CONTRACT FEES.....	None	None	None
RENTS (Note 5).....	\$ 2,854,849		\$ 2,854,849
Seven Months Ended July 31, 1948			
MAINTENANCE AND REPAIRS (Note 2).....	\$11,687,995		\$11,687,995
DEPRECIATION, AMORTIZATION, AND OBsolescence OF FIXED ASSETS (Note 2).....	\$ 4,644,788	D\$8,132	\$ 4,652,920
TAXES, OTHER THAN INCOME AND EXCESS PROFITS TAXES:			
Real estate and personal property.....	\$ 27,946		\$ 27,946
Social security	745,086		745,086
Franchise	17,745		17,745
Foreign payroll taxes.....	76,919		76,919
Gasoline and oil (Note 3).....	618,284		618,284
Clearance, customs, and duties (Note 4).....	178,619		178,619
Miscellaneous	137,040		137,040
Total	\$ 1,801,639		\$ 1,801,639
MANAGEMENT AND SERVICE CONTRACT FEES.....	None	None	None
RENTS (Note 5).....	\$ 1,839,264		\$ 1,839,264

* Denotes credit—over-accrual of taxes on non-operating property.

A Charged to International Division deferred development expense.

B Allocated to Government contracts and others.

C Charged to long-term debt expense—documentary tax on extension of Series B Debentures.

D Charged to others.

The Notes on the following page are an integral part of this statement.

TWA Ex. 291, page 57 of 53
(TWA Prospectus, 2/18/49 & Amendments, 3/8/49)

TRANSCONTINENTAL & WESTERN AIR, INC.
AND SUBSIDIARIES

Supplementary Profit and Loss Information

For the Three Years and Seven Months Ended July 31, 1948—(Concluded)

NOTES:

1. The amounts charged to operating expenses with the exception of depreciation are shown gross for the years 1945 and 1946 before deducting a small portion allocated as overhead to United States Government contracts on the basis provided for in such contracts, and, for the year 1946, before deducting portion charged to International Division deferred development expense. For the year ended December 31, 1947 and the seven months ended July 31, 1948 the amounts are gross before deducting portion allocated to construction work in progress and to cost of other revenue from services performed for others. The portions so charged are not allocated to separate detail expense accounts on the Company's records.
2. Provisions for obsolescence of flight equipment spare parts amounting to \$61,199 in 1945 and \$76,318 in 1946 are included above in depreciation and amortization to accord with treatment of this provision in 1947 and the subsequent period. The 1945 and 1946 provision for obsolescence was previously reported by the Company as maintenance and repairs. Sundry other reclassifications reducing maintenance expense by \$30,587 in 1945 and \$175,863 in 1946 are given effect above to accord with the account classification effective January 1, 1947 as mentioned in Note 16 to Financial Statements.
3. Gasoline and oil taxes do not appear with other taxes on previous statements for the years 1945 and 1946, but were, however, included with gasoline and oil expense in cost of operations.
4. Clearance, customs, and duties include an undeterminable amount of ocean freight not segregated in the accounts.
5. For particulars regarding "Rents", reference should be made to Note 16 to Financial Statements.

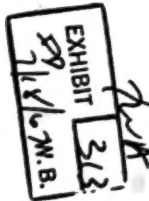
ADDITIONAL INFORMATION

This prospectus omits certain information contained in the registration statement on file with the Securities and Exchange Commission. The information omitted may be obtained from the Commission's principal office at Washington, D. C., upon payment of the fee prescribed by the rules and regulations of the Commission.

TRANSCONTINENTAL & WESTERN AIR, INC.

By **WARREN LEE PIERSON**
Chairman of the Board of Directors.

TWA Ex. 313, page 1
(Debt Outstanding & Available to TWA & Competitors, 1961-63)



TWA - PAA - AAL - UAL
Debt Outstanding and Available
at December 31, 1960-63

S U M M A R Y

As of:	Outstanding					Outstanding Plus Available				
	<u>Hist.</u>	<u>TWA</u> <u>Reconst.</u>	<u>PAA</u>	<u>AAL</u>	<u>UAL</u>	<u>Hist.</u>	<u>TWA</u> <u>Reconst.</u>	<u>PAA</u>	<u>AAL</u>	<u>UAL</u>
December 31, 1960	235,784	320,291	331,771	228,779	244,644	315,784	320,291	335,471	288,779	338,644
December 31, 1961	299,614	320,229	320,620	312,989	312,536	416,614	320,229	320,620	312,989	337,536
December 31, 1962	361,239	320,767	290,920	338,947	281,944	398,639	320,767	290,920	338,947	334,944
December 31, 1963	310,918	320,618	201,914	311,100	227,354	453,668	320,618	262,344	311,100	322,354

Details appear on the following sheets.

TWA - PAA - AAL - UALDebt Outstanding and Available
at December 31, 1960

<u>TWA - Historical</u>	<u>Outstanding(a)</u> ----- (\$000)	<u>Outstanding Plus Available(a)</u> -----
6½% Equip. Mtge. Sinking Fund Notes due 12/31/72(c)	62,800	92,800
6% Equip. Mtge. Serial Notes due 12/31/61-64(d)	66,200	72,200
Conditional Sales Contracts, 3½% (banks)		
For 4 L1649A aircraft	3,455	3,455
For 4 L1049H aircraft	3,238	3,238
Installment contracts for purchase of bulk storage and other facilities	291	291
Borrowings under 12/1/60 revolving credit agreement with HTCo.	None	50,000
6½% Subord. Income Debs. due 6/1/78 (e)	<u>100,000</u>	<u>100,000</u>
Total Debt	<u>235,784</u>	<u>315,784</u>

- (a) Includes portion due within one year.
 (b) Pro forma per prospectus dated 5/25/61.
 (c) Issued to insurance companies under a note purchase agreement dated 12/1/60.
 (d) Issued to banks under a loan agreement dated 12/1/60.
 (e) Issued via prospectus dated 5/25/61, replacing interim subordinated promissory note due HTCo.

<u>TWA - Reconstructed</u>	<u>Outstanding</u> ----- (\$000)	<u>Outstanding Plus Available</u> -----
Flight equipment mortgage notes:		
4% due 10/1/80	170,000	170,000
6% due 7/1/84	90,000	90,000
Installment contracts for purchase of bulk storage and other facilities	291	291
5% Conv. Sub. Debs. due 6/1/84	<u>60,000</u>	<u>60,000</u>
Total Debt	<u>320,291</u>	<u>320,291</u>

<u>PAA</u>	<u>Outstanding</u> ----- (\$000)	<u>Outstanding Plus Available(a)</u> -----
Bank loans (b)	144,800 (c)	148,500 (c)
3 3/4% Notes due 3/1/95	60,000	60,000
4 3/4% Notes due 3/1/95	30,000	30,000
6% Notes due 8/1/80	50,000	50,000
4 7/8% Conv. Sub. Debs due 8/1/79	<u>46,971</u>	<u>46,971</u>
Total Debt	<u>331,771</u>	<u>335,471</u>

- (a) Including \$9.6MM 6% Notes due 8/1/80 taken down in January 1961 to repay an interim bank loan of equal amount.
 (b) Issued under a credit agreement dated 10/31/58 as amended, under which up to \$148.5MM may be borrowed on a revolving basis at the prime rate (4 1/2% as of 12/31/60) prior to 7/1/61. Borrowings outstanding at 6/30/61 will be payable in ten semi-annual installments beginning 12/31/61 and will bear interest at the 7/1/61 prime rate plus 1/2 of 1% but not more than 5%.
 (c) Includes \$14,480M due within one year.

TWA Ex. 313, page 3
(Debt Outstanding & Available to TWA & Competitors, 1961-63)

- 2 -

<u>AAL</u>	<u>Outstanding</u>	<u>Outstanding Plus Available</u>
	----- (\$000) -----	-----
3% S.F. Debentures due 6/1/66	23,779	23,779
4% Notes due 11/1/96	75,000	75,000
4 1/4% Notes due 11/1/96	60,000	60,000
5% Notes due 11/1/96	30,000	30,000
5 3/4% Notes due 11/1/96(a)	None	60,000
5% Subordinated Conv. Notes due 1/1/85	<u>40,000</u>	<u>40,000</u>
Total Debt	<u>228,779</u>	<u>288,779</u>

- (a) To be issued to insurance companies during 1961 under a loan agreement dated 12/30/60.

<u>UAL</u>	<u>Outstanding</u>	<u>Outstanding Plus Available</u>
	----- (\$000) -----	-----
3 1/2% Debentures due 2/1/67	11,144(a)	11,144(a)
3 3/4% Debentures due 8/1/74	17,500(a)	17,500(a)
4% Debentures due 2/1/81	120,000	120,000
4 3/4% Term loan notes (b)	71,000	165,000
4 7/8% Subord. Conv. Debs. due 12/1/85	<u>25,000</u>	<u>25,000</u>
Total Debt	<u>244,644</u>	<u>338,644</u>

- (a) Includes portion due within one year.
- (b) Issued and issuable under a credit agreement dated 12/20/57 as amended under which up to \$165MM may be borrowed on a revolving basis at the prime rate plus 1/4 of 1% prior to 6/30/62. Borrowings outstanding on 6/30/62 will be due in 23 quarterly payments beginning 1/1/63. Interest from 6/30/62 to 6/30/64 will be at the prime rate plus 1/4 of 1% and after 7/1/64 at such prime rate plus 1/2 of 1%. The prime rate at 12/31/60 was 4 1/2%.

Sources: TWA, PAA, AAL and UAL 1960 annual reports, TWA prospectus dated 5/25/61, UAL prospectus dated 11/22/60, DHR Report.

TWA - PAA - AAL - UALDebt Outstanding and Available
at December 31, 1961

<u>TWA - Historical</u>	<u>Outstanding(a)</u> ----- (\$000)-----	<u>Outstanding Plus Available (a)</u> ----- (\$000)-----
Equipment Mortgage Sinking Fund Notes:		
6½% due 12/31/72	92,800	92,800
Series B, 6% due 12/31/77 (b)	22,000	107,000
Equipment Mortgage Serial Notes:		
6% due to 12/31/64	72,200	72,200
Series B, 5½% due 12/31/63 - 66 (c)	8,000	40,000
Conditional Sales Contracts, 3½% (banks)		
For 4 L1649A aircraft	1,919	1,919
For 4 L1049H aircraft	1,942	1,942
Installment contracts for purchase of bulk storage and other facilities	229	229
6½% Sub. Income Debs. due 6/1/78 plus accrued interest	100,524	100,524
Total Debt	<u>299,614</u>	<u>416,614</u>

(a) Includes portion due within one year.
(b) Issued and issuable to insurance companies under a note purchase agreement dated 7/1/61.
(c) Issued and issuable to banks under a loan agreement dated 7/1/61.

<u>TWA - Reconstructed</u>	<u>Outstanding</u> ----- (\$000)-----	<u>Outstanding Plus Available</u> ----- (\$000)-----
Flight Equipment Mortgage Notes:		
4% due 10/1/80	170,000	170,000
6% due 7/1/84	90,000	90,000
Installment contracts for purchase of bulk storage and other facilities	229	229
5% Conv. Sub. Debs. due 6/1/84	60,000	60,000
Total Debt	<u>320,229</u>	<u>320,229</u>

<u>PAA</u>	<u>Outstanding</u> ----- (\$000)-----	<u>Outstanding Plus Available</u> ----- (\$000)-----
5% Term bank loans	133,650 (a)	133,650 (a)
3 3/4% Notes due 3/1/95	60,000	60,000
4 3/4% Notes due 3/1/95	30,000	30,000
6% Notes due 8/1/80	50,000	50,000
4 7/8% Conv. Subord. Debs. due 8/1/79	46,970	46,970
Total Debt	<u>320,620</u>	<u>320,620</u>

(a) Includes \$29.7MM due in 1962.

TWA Ex. 313, page 5
(Debt Outstanding & Available to TWA & Competitors, 1961-63)

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<u>AAL</u>	<u>Outstanding</u>	<u>Outstanding</u>
	<u>-----</u>	<u>Plus Available</u>
	<u>-----</u>	<u>-----</u>
	(\$000)	
3% S.F. Debentures due 6/1/66	22,989	22,989
4% Notes due 11/1/96	75,000	75,000
4 1/4% Notes due 11/1/96	60,000	60,000
5% Notes due 11/1/96	30,000	30,000
5 3/4% Notes due 11/1/96	85,000	85,000
5% Subord. Conv. Notes due 1/1/85	40,000	40,000
Total Debt	<u>312,989</u>	<u>312,989</u>

<u>UAL</u>	<u>Outstanding</u>	<u>Outstanding</u>
	<u>-----</u>	<u>Plus Available</u>
	<u>-----</u>	<u>-----</u>
	(\$000)	
3 1/2% Debentures due 2/1/67	9,552 (a)	9,552 (a)
3 3/4% Debentures due 8/1/74	16,500 (a)	16,500 (a)
4% Debentures due 2/1/81	120,000	120,000
4 3/4% Term loan notes (b)	140,000	165,000
4 1/4% Subord. Conv. Debs. due 7/1/76	1,486	1,486
4 7/8% Subord. Conv. Debs. due 12/1/85	24,998	24,998
Total Debt	<u>312,536</u>	<u>337,536</u>

(a) Includes portion due within one year.

(b) Issued and issuable under a credit agreement dated 12/20/57, as amended under which up to \$165MM may be borrowed on a revolving basis at the prime rate plus 1/4 of 1% prior to 6/30/62. Borrowings outstanding on 6/30/62 will be due in 23 quarterly payments beginning 1/1/63. Interest from 6/30/62 to 6/30/64 will be at the prime rate plus 1/4 of 1% and after 7/1/64 at such prime rate plus 1/2 of 1%. The prime rate at 12/31/61 was 4 1/2%.

Sources: TWA, PAA, AAL, and UAL 1961 annual reports, UAL prospectus dated 11/22/60, DHR report.

TWA - PAA - AAL - UALDebt Outstanding and Available
at December 31, 1962

<u>TWA - Historical</u>	<u>Outstanding(a)</u> ----- (\$000)	<u>Outstanding Plus Available(a)</u> -----
Equipment Mortgage Sinking Fund Notes:		
6½% due 12/31/72	92,800	92,800
Series B, 6% due 12/31/77 (b)	79,000	106,000
Equipment Mortgage Serial Notes:		
6% due 12/31/64	52,000	52,000
Series B, 5½% due 6/30/64-12/31/66 (c)	29,000	39,400
Conditional Sales Contracts, 3½% (banks)	648	648
Installment contracts for purchase of bulk storage and other facilities	767	767
6½% Subord. Income Debs. due 6/1/78 plus accrued interest	<u>107,024</u>	<u>107,024</u>
Total Debt	<u>361,239</u>	<u>398,639</u>

(a) Includes portion due within one year.

(b) Issued and issuable to insurance companies under a note purchase agreement dated 7/1/61.

(c) Issued and issuable to banks under a loan agreement dated 7/1/61.

<u>TWA - Reconstructed</u>	<u>Outstanding</u> ----- (\$000)	<u>Outstanding Plus Available</u> -----
Flight Equipment Mortgage Notes:		
4% due 10/1/80	170,000	170,000
6% due 7/1/84	90,000	90,000
Installment contracts for purchase of bulk storage and other facilities	767	767
5% Conv. Sub. Debs. due 6/1/84	<u>60,000</u>	<u>60,000</u>
Total Debt	<u>320,767</u>	<u>320,767</u>

<u>PAA</u>	<u>Outstanding</u> ----- (\$000)	<u>Outstanding Plus Available</u> -----
5% Term bank loans	103,950 (a)	103,950 (a)
3 3/4% Notes due 3/1/95	60,000	60,000
4 3/4% Notes due 3/1/95	30,000	30,000
6% Notes due 8/1/80	50,000	50,000
4 7/8% Conv. Subord. Debs. due 8/1/79	<u>46,970</u>	<u>46,970</u>
Total Debt	<u>290,920</u>	<u>290,920</u>

(a) Includes \$29.7MM due in 1963.

<u>AAL</u>	<u>Outstanding</u> ----- (\$000)	<u>Outstanding Plus Available</u> -----
3% S.F. Debentures due 6/1/66	22,406	22,406
4% Notes due 11/1/96	75,000	75,000
4 1/4% Notes due 11/1/96	60,000	60,000
5% Notes due 11/1/96	30,000	30,000
5 3/4% Notes due 11/1/96	85,000	85,000
4 1/4% - 4 3/8% engine purchase obligations due 1970	26,541	26,541
5% Subord. Conv. notes due 1/1/85	<u>40,000</u>	<u>40,000</u>
Total Debt	<u>338,947</u>	<u>338,947</u>

TWA Ex. 313, page 7

(Debt Outstanding & Available to TWA & Competitors, 1961-63)

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<u>UAL</u>	<u>Outstanding</u> ----- (\$000)	<u>Outstanding Plus Available</u> -----
3 1/2% Debentures due 2/1/67	7,960 (a)	7,960 (a)
3 3/4% Debentures due 8/1/74	15,500 (a)	15,500 (a)
4% Debentures due 2/1/81	120,000	120,000
4 3/4% Term Loan Notes (b)	112,000	165,000
4 1/4% Subord. Conv. Debs. due 7/1/76	1,486	1,486
4 7/8% Subord. Conv. Debs. due 12/1/85	<u>24,998</u>	<u>24,998</u>
Total Debt	<u>281,944</u>	<u>334,944</u>

(a) Includes portion due within one year.

(b) Issued and issuable under a credit agreement dated 12/20/57, as amended under which up to \$165MM may be borrowed on a revolving basis prior to 12/31/64. Borrowings outstanding on 12/31/64 will be due in 20 quarterly payments beginning 7/1/65.

Sources: TWA, PAA, AAL, UAL 1962 annual reports, DHR Report.

(Debt Outstanding & Available to TWA & Competitors, 1961-63)

TWA - PAA - AAL - UALDebt Outstanding and Available
as of December 31, 1963

<u>TWA - Historical</u>	<u>Outstanding (a)</u> ----- (\$000)	<u>Outstanding Plus Available (a)</u> -----
Equipment Mortgage Sinking Fund Notes:		
6 1/2% due 12/31/72	92,800	92,800
Series B, 6% due 12/31/77 (b)	79,000	106,000
Bank Loans under revolving credit agreement (c)	None	100,000
Conditional sales contracts (d)	None	15,750
Installment contracts for purchase of bulk storage and other facilities	618	618
6 1/2% Sub. Income Debs. due 6/1/78	100,000	100,000
5 3/4% Conv. Sub. Debs. due 10/1/83	<u>38,500</u>	<u>38,500</u>
Total Debt	<u>310,918</u>	<u>453,668</u>

- (a) Includes portion due within one year.
 (b) Issued and issuable to insurance companies under a note purchase agreement dated 7/1/61.
 (c) Issuable to banks under a loan agreement dated 11/1/63 under which up to \$100MM may be borrowed on a revolving basis until 12/1/66. Borrowings outstanding at 12/1/66 will be due in 16 quarterly payments beginning 3/1/67.
 (d) Commitments to cover the financing of \$15,750M of the cost of three cargo jets under conditional sales contracts.

<u>TWA - Reconstructed</u>	<u>Outstanding</u> ----- (\$000)	<u>Outstanding Plus Available</u> -----
Flight Equipment Mortgage Notes:		
4% due 10/1/80	170,000	170,000
6% due 7/1/84	90,000	90,000
Installment contracts for purchase of bulk storage and other facilities	618	618
5% Conv. Sub. Debs. due 6/1/84	<u>60,000</u>	<u>60,000</u>
Total Debt	<u>320,618</u>	<u>320,618</u>

<u>PAA</u>	<u>Outstanding</u> ----- (\$000)	<u>Outstanding Plus Available</u> -----
5% Term bank loans	23,760	23,760
3 3/4% Notes due 3/1/95	60,000	60,000
4 3/4% Notes due 3/1/95	30,000	30,000
6% Notes due 8/1/80	50,000	50,000
4 7/8% Conv. Subord. Debs. due 8/1/79	38,154	38,154
4 1/2% Conv. Subord. Debs. due 1/15/84 (a)	<u>None</u>	<u>60,430</u>
Total Debt	<u>201,914</u>	<u>262,344</u>

- (a) Issued via prospectus dated 1/8/64.

<u>AAL</u>	<u>Outstanding</u> ----- (\$000)	<u>Outstanding Plus Available</u> -----
3% S.F. Debentures due 6/1/66	21,100	21,100
4% Notes due 11/1/96	75,000	75,000
4 1/4% Notes due 11/1/96	60,000	60,000
5% Notes due 11/1/96	30,000	30,000
5 3/4% Notes due 11/1/96	85,000	85,000
5% Subord. Conv. Notes due 1/1/85	<u>40,000</u>	<u>40,000</u>
Total Debt	<u>311,100</u>	<u>311,100</u>

TWA Ex. 313, page 9
(Debt Outstanding & Available to TWA & Competitors, 1961-63)

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<u>UAL</u>	<u>Outstanding</u> ----- (\$000) -----	<u>Outstanding Plus Available</u> -----
3 1/2% Debentures due 2/1/67	6,368 (a)	6,368 (a)
3 3/4% Debentures due 8/1/74	14,500 (a)	14,500 (a)
4% Debentures due 2/1/81	120,000	120,000
5% Notes due 2/1/84 (b)	None	60,000
4 3/4% Term loan notes (c)	85,000	120,000
4 1/4% Subord. Conv. Debs. due 7/1/76	<u>1,486</u>	<u>1,486</u>
Total Debt	<u>227,354</u>	<u>322,354</u>

(a) Includes portion due within one year.

(b) Issued to insurance companies on 2/5/64.

(c) Issued under a credit agreement dated 12/20/57, as amended under which up to \$180MM may be borrowed on a revolving basis at the prime rate plus 1/2 of 1% prior to 12/31/65. This commitment was reduced \$60MM on 2/5/64, concurrent with the sale of the 5% notes due 2/1/84. Borrowings outstanding on 12/31/65 will be due in 28 quarterly payments beginning 7/1/66 at the prime rate plus 1/2 of 1%. The prime rate was 4 1/2% on 12/31/63.

Sources: TWA, PAA, AAL and UAL 1963 annual reports, TWA prospectus dated 12/3/63, PAA prospectus dated 1/8/64, DHR Report.

TWA Ex. 314, page 1
 (Weighted Average Interest Rates-TWA & Competitors, 1960-63) *2/A*

TWA - PAA - AAL - UAL

Weighted Average Interest Rates on Debt
 Outstanding at December 31, 1960 - 1963

1-11-63
7/14/67
W.B.

S U M M A R Y

As of:	<u>TWA</u>		<u>PAA</u>	<u>AAL</u>	<u>UAL</u>
	<u>Hist.</u>	<u>Reconstr.</u>			
December 31, 1960	6.27%	4.75%	4.67%	4.32%	4.27%
December 31, 1961	6.27	4.75	4.88	4.67	4.38
December 31, 1962	6.21	4.74	4.87	4.65	4.25
December 31, 1963	6.27	4.74	4.74	4.68	4.41

Details of computations appear on the following sheets.

TWA Ex. 314, page 2
(Weighted Average Interest Rates-TWA & Competitors, 1960-63)

TWA - PAA - AAL - UAL

Weighted Average Interest Rate on Debt
Outstanding at December 31, 1960

TWA - Historical

	Amount Outstanding	Interest (Am't x Rate)
	----- (\$000) -----	-----
6½% Equip. Mtge. Sinking Fund Notes due 12/31/72	62,800	4,082
6% Equip. Mtge. Serial Notes due 12/31/61-64	66,200	3,972
3½% Conditional Sales Contracts	6,693	234
Installment Contracts	291	-
6½% Subord. Income Debs due 6/1/78	100,000	6,500
Totals	<u>235,784</u>	<u>14,788</u>

Total interest = 6.27% of total debt outstanding.

TWA - Reconstructed

	Amount Outstanding	Interest (Am't x Rate)
	----- (\$000) -----	-----
Flight equipment mortgage notes:		
4% due 10/1/80	170,000	6,800
6% due 7/1/84	90,000	5,400
Installment Contracts	291	-
5% Conv. Sub. Debs due 6/1/84	60,000	3,000
Totals	<u>320,291</u>	<u>15,200</u>

Total interest = 4.75% of total debt outstanding.

PAA

	Amount Outstanding	Interest (Am't x Rate)
	----- (\$000) -----	-----
Bank loans @ 4 1/2%	144,800	6,516
3 3/4% Notes due 3/1/95	60,000	2,250
4 3/4% Notes due 3/1/95	30,000	1,425
6% Notes due 8/1/80	50,000	3,000
4 7/8% Conv. Sub. Debs. due 8/1/79	46,971	2,290
Totals	<u>331,771</u>	<u>15,481</u>

Total interest = 4.67% of total debt outstanding.

AAL

	Amount Outstanding	Interest (Am't x Rate)
	----- (\$000) -----	-----
3½% S.F. Debentures due 6/1/66	23,779	832
4% Notes due 11/1/96	75,000	3,000
4½% Notes due 11/1/96	60,000	2,550
5% Notes due 11/1/96	30,000	1,500
5% Sub. Conv. Notes due 1/1/85	40,000	2,000
Totals	<u>228,779</u>	<u>9,882</u>

Total interest = 4.32% of total debt outstanding.

UAL

	Amount Outstanding	Interest (Am't x Rate)
	----- (\$000) -----	-----
3½% Debentures due 2/1/67	11,144	390
3 3/4% Debentures due 8/1/74	17,500	656
4% Debentures due 2/1/81	120,000	4,800
4 3/4% Term bank loans	71,000	3,373
4 7/8% Sub. Conv. Debs. due 12/1/85	25,000	1,218
Totals	<u>244,644</u>	<u>10,437</u>

Total interest = 4.27% of total debt outstanding.

TWA - PAA - AAL - UALWeighted Average Interest Rate on Debt
Outstanding at December 31, 1961

<u>TWA - Historical</u>	<u>Amount Outstanding</u>	<u>Interest (Am't x Rate)</u>
	-----	-----
	----- (\$000) -----	-----
Equipment Mortgage Sinking Fund Notes:		
6½% due 12/31/72	92,800	6,032
6% due 12/31/77	22,000	1,320
Equipment Mortgage Serial Notes:		
6% due to 12/31/64	72,200	4,332
5½% due 12/31/63-66	8,000	440
3½% Conditional Sales Contracts	3,861	135
Installment Contracts	229	-
6½% Sub. Income Debs. due 6/1/78 (excluding accrued interest)	100,000	6,500
Totals	<u>299,090</u>	<u>18,759</u>

Total interest = 6.27% of total debt outstanding.

<u>TWA - Reconstructed</u>	<u>Amount Outstanding</u>	<u>Interest (Am't x Rate)</u>
	-----	-----
	----- (\$000) -----	-----
Flight Equipment Mortgage Notes:		
4% due 10/1/80	170,000	6,800
6% due 7/1/84	90,000	5,400
Installment Contracts	229	-
5% Conv. Sub. Debs. due 6/1/84	60,000	3,000
Totals	<u>320,229</u>	<u>15,200</u>

Total interest = 4.75% of total debt outstanding.

<u>PAA</u>	<u>Amount Outstanding</u>	<u>Interest (Am't x Rate)</u>
	-----	-----
	----- (\$000) -----	-----
5% Term bank loans	133,650	6,682
3 3/4% Notes due 3/1/95	60,000	2,250
4 3/4% Notes due 3/1/95	30,000	1,425
6% Notes due 8/1/80	50,000	3,000
4 7/8% Conv. Sub. Debs. due 8/1/79	46,970	2,290
Totals	<u>320,620</u>	<u>15,647</u>

Total interest = 4.88% of total debt outstanding.

<u>AAL</u>	<u>Amount Outstanding</u>	<u>Interest (Am't x Rate)</u>
	-----	-----
	----- (\$000) -----	-----
3% Debentures due 6/1/66	22,989	690
4% Notes due 11/1/96	75,000	3,000
4½% Notes due 11/1/96	60,000	2,550
5% Notes due 11/1/96	30,000	1,500
5 3/4% Notes due 11/1/96	85,000	4,887
5% Sub. Conv. Notes due 1/1/85	40,000	2,000
Totals	<u>312,989</u>	<u>14,627</u>

Total interest = 4.67% of total debt outstanding.

<u>UAL</u>	<u>Amount Outstanding</u>	<u>Interest (Am't x Rate)</u>
	-----	-----
	----- (\$000) -----	-----
3½% Debentures due 2/1/67	9,552	334
3 3/4% Debentures due 8/1/74	16,500	619
4% Debentures due 2/1/81	120,000	4,800
4 3/4% Term bank loans	140,000	6,650
4 1/4% Sub. Conv. Debs. due 7/1/76	1,486	63
4 7/8% Sub. Conv. Debs. due 12/1/85	24,998	1,219
Totals	<u>312,536</u>	<u>13,685</u>

Total Interest = 4.38% of total debt outstanding

TWA Ex. 314, page 4
(Weighted Average Interest Rates-TWA & Competitors, 1960-63)

TWA - PAA - AAL - UAL

Weighted Average Interest Rate on Debt
Outstanding at December 31, 1962

<u>TWA - Historical</u>	<u>Amount Outstanding</u>	<u>Interest (Am't x Rate)</u>
	-----	-----
	----- (\$000) -----	-----
Equipment Mortgage Sinking Fund Notes:		
6½% due 12/31/72	92,800	6,032
6% due 12/31/77	79,000	4,740
Equipment Mortgage Serial Notes:		
6% due to 12/31/64	52,000	3,120
5½% due 6/30/64 - 12/31/66	29,000	1,595
3½% Conditional Sales Contracts	648	-
Installment Contracts	767	-
6½% Sub. Income Debs. due 6/1/78 (excl. accrued int.)	100,000	6,500
Totals	<u>354,215</u>	<u>21,987</u>

Total interest = 6.21% of total debt outstanding.

<u>TWA - Reconstructed</u>	<u>Amount Outstanding</u>	<u>Interest (Am't x Rate)</u>
	-----	-----
	----- (\$000) -----	-----
Flight Equipment Mortgage Notes:		
4% due 10/1/80	170,000	6,800
6% due 7/1/84	90,000	5,400
Installment Contracts	767	-
5% Conv. Sub. Debs. due 6/1/84	60,000	3,000
Totals	<u>320,767</u>	<u>15,200</u>

Total interest = 4.74% of total debt outstanding.

<u>PAA</u>	<u>Amount Outstanding</u>	<u>Interest (Am't x Rate)</u>
	-----	-----
	----- (\$000) -----	-----
5% Term bank loans	103,950	5,197
3 3/4% Notes due 3/1/95	60,000	2,250
4 3/4% Notes due 3/1/95	30,000	1,425
6% Notes due 8/1/80	50,000	3,000
4 7/8% Conv. Sub. Debs. due 8/1/79	46,970	2,290
Totals	<u>290,920</u>	<u>14,162</u>

Total interest = 4.87% of total debt outstanding.

<u>AAL</u>	<u>Amount Outstanding</u>	<u>Interest (Am't x Rate)</u>
	-----	-----
	----- (\$000) -----	-----
3% Debentures due 6/1/66	22,406	672
4% Notes due 11/1/96	75,000	3,000
4½% Notes due 11/1/96	60,000	2,550
5% Notes due 11/1/96	30,000	1,500
5 3/4% Notes due 11/1/96	85,000	4,888
4½-4 3/8% Engine Purchase Obligations	26,541	1,161
5% Sub. Conv. Notes due 1/1/85	40,000	2,000
Totals	<u>338,947</u>	<u>15,771</u>

Total interest = 4.65% of total debt outstanding.

<u>UAL</u>	<u>Amount Outstanding</u>	<u>Interest (Am't x Rate)</u>
	-----	-----
	----- (\$000) -----	-----
3½% Debentures due 2/1/67	7,960	279
3 3/4% Debentures due 8/1/74	15,500	582
4% Debentures due 2/1/81	120,000	4,800
4 3/4% Term bank loans	112,000	5,320
4 1/4% Sub. Conv. Debs. due 7/1/76	1,486	63
4 7/8% Sub. Conv. Debs. due 12/1/85	24,998	1,219
Totals	<u>281,944</u>	<u>11,983</u>

Total interest = 4.25% of total debt outstanding.

TWA Ex. 314, page 5
(Weighted Average Interest Rates-TWA & Competitors, 1960-63)

TWA - PAA - AAL - UAL

Weighted Average Interest Rate on Debt
Outstanding at December 31, 1963

<u>TWA - Historical</u>	Amount Outstanding	Interest (Am't x Rate)
	----- (\$000) -----	-----
Equipment Mortgage Sinking Fund Notes:		
6½% due 12/31/72	92,800	6,032
6% due 12/31/77	79,000	4,740
Installment Contracts	618	-
6½% Sub. Income Debs. due 6/1/78	100,000	6,500
5 3/4% Conv. Sub. Debs. due 10/1/83	38,500	2,214
Totals	<u>310,918</u>	<u>19,486</u>

Total interest = 6.27% of total debt outstanding.

<u>TWA - Reconstructed</u>	Amount Outstanding	Interest (Am't x Rate)
	----- (\$000) -----	-----
Flight Equipment Mortgage Notes:		
4% due 10/1/80	170,000	6,800
6% due 7/1/84	90,000	5,400
Installment Contracts	618	-
5% Conv. Sub. Debs. due 6/1/84	60,000	3,000
Totals	<u>320,618</u>	<u>15,200</u>

Total interest = 4.74% of total debt outstanding.

<u>PAA</u> (Including 4½% Conv. Sub. Debs due 1/15/84 - offered 1/8/64)	Amount Outstanding	Interest (Am't x Rate)
	----- (\$000) -----	-----
5% Term bank loans	23,760	1,188
3 3/4% Notes due 3/1/95	60,000	2,250
4 3/4% Notes due 3/1/95	30,000	1,425
6% Notes due 8/1/80	50,000	3,000
4 7/8% Conv. Sub. Debs. due 8/1/79	38,154	1,860
4 1/2% Conv. Sub. Debs. due 1/15/84	60,430	2,719
Totals	<u>262,344</u>	<u>12,442</u>

Total interest = 4.74% of total debt outstanding.

<u>AAL</u>	Amount Outstanding	Interest (Am't x Rate)
	----- (\$000) -----	-----
3% Debentures due 6/1/66	21,100	633
4% Notes due 11/1/96	75,000	3,000
4½% Notes due 11/1/96	60,000	2,550
5% Notes due 11/1/96	30,000	1,500
5 3/4% Notes due 11/1/96	85,000	4,888
5% Sub. Conv. Notes due 1/1/85	40,000	2,000
Totals	<u>311,100</u>	<u>14,571</u>

Total interest = 4.68% of total debt outstanding.

<u>UAL</u> (Including 5% notes due 2/1/84)	Amount Outstanding	Interest (Am't x Rate)
	----- (\$000) -----	-----
3½% Debentures due 2/1/67	6,368	223
3 3/4% Debentures due 8/1/74	14,500	544
4% Debentures due 2/1/81	120,000	4,800
5% Notes due 2/1/84	60,000	3,000
4 3/4% Term bank loans	85,000	4,037
4½% Sub. Conv. Debs. due 7/1/76	1,486	63
Totals	<u>287,354</u>	<u>12,667</u>

Total interest = 4.41% of total debt outstanding.

EXHIBIT

317

10/14/77 W.B.

GRAPH SHOWING POINTS OF AVERAGE STAGE LENGTH
OF ADDED SERVICE AND AVERAGE STAGE LENGTH FOR THE
PRIOR MONTH, FROM S.H.E. PRINT OUT NEW BOOK V, TABLE 16,
B-30 (B-331 AIRCRAFT - FIRST ANALYSIS)

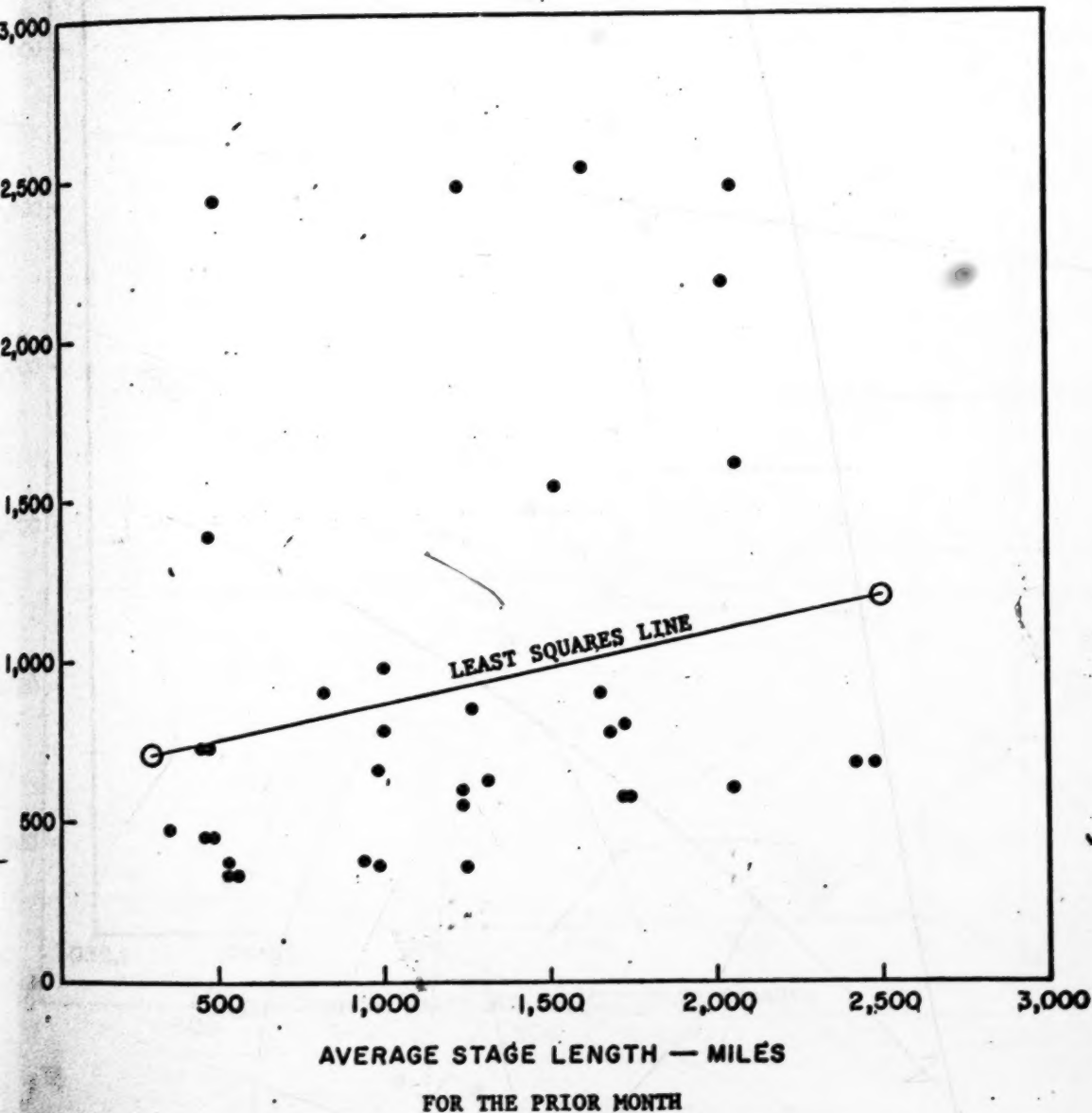


EXHIBIT
10/11/11

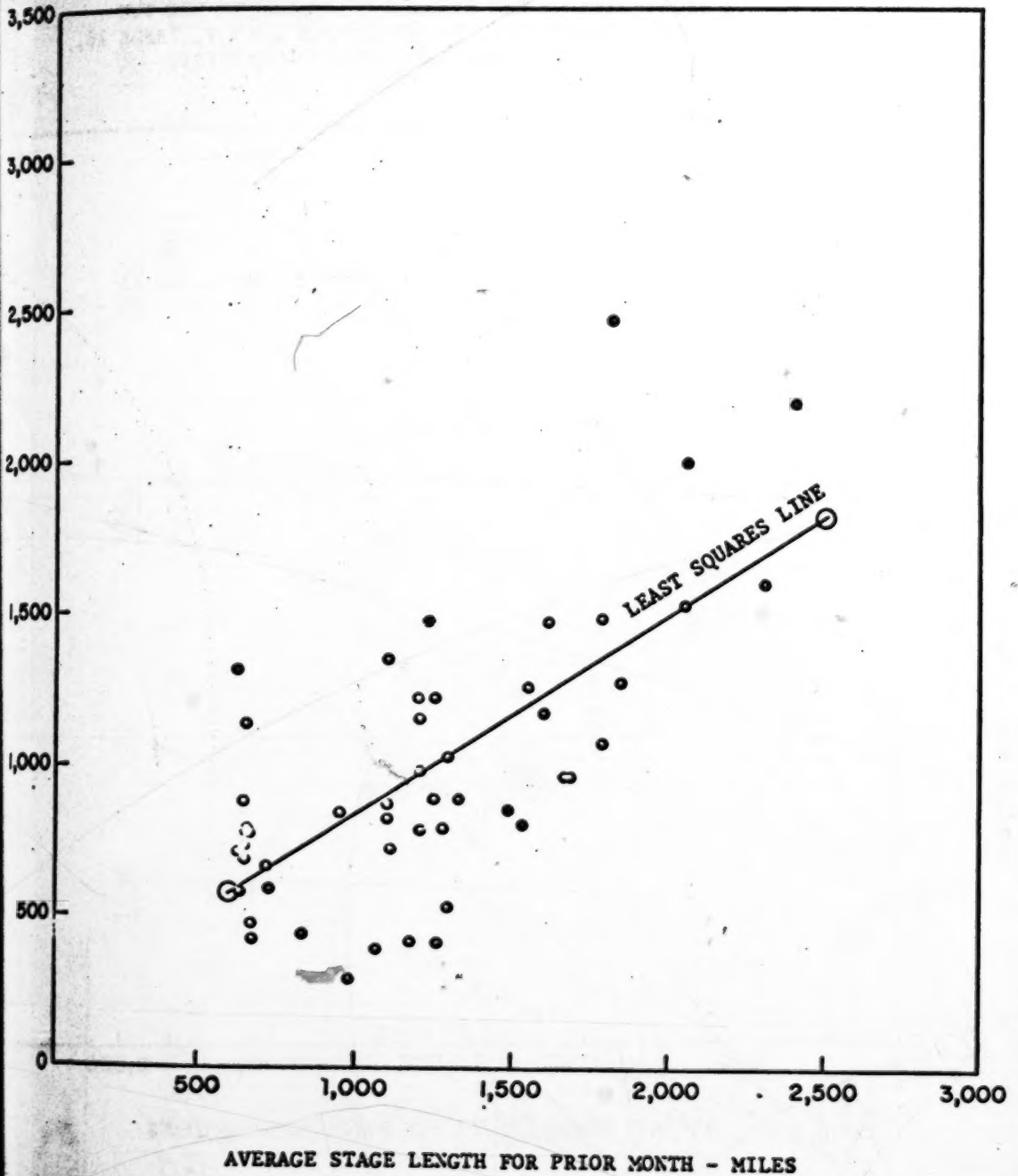
A scatter plot showing the relationship between Average Stage Length for Prior Month (X-axis) and Average Stage Length of Added Service (Y-axis). The X-axis ranges from 0 to 1,250 miles, and the Y-axis ranges from 0 to 1,500 miles. A cluster of data points is visible between 750 and 900 miles on the X-axis and 400 to 1,100 miles on the Y-axis. A 'LEAST SQUARES LINE' is drawn through this cluster, showing a positive correlation. There is also a small cluster of points at low X-values (around 200 miles) with Y-values around 350 miles.

TWA Ex. 321

(Least Squares Analysis-S.H.E. Avg. Stage Length - B-131s)

EXHIBIT 3
10/18/67 W.

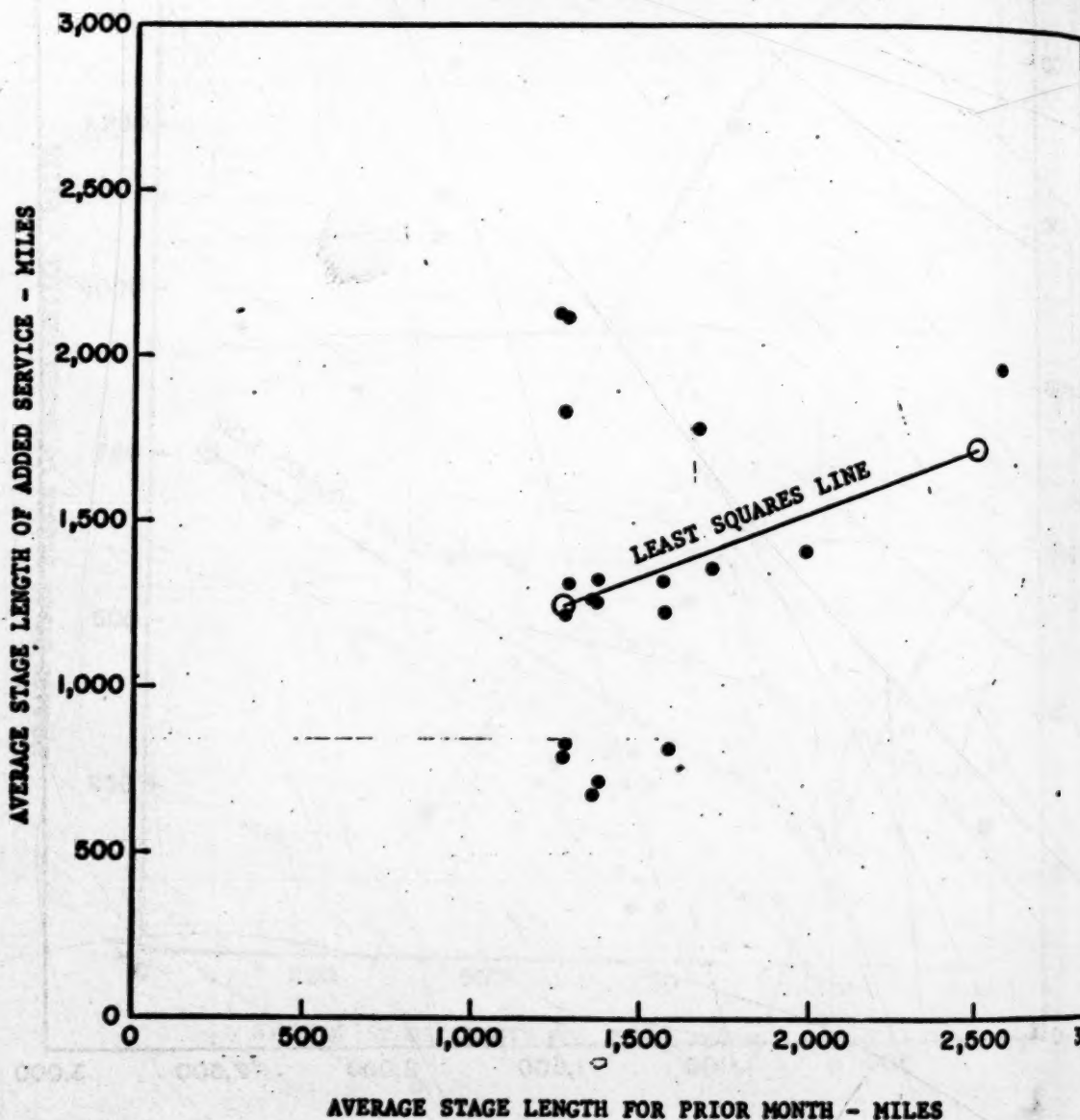
GRAPH SHOWING POINTS OF AVERAGE STAGE LENGTH
OF ADDED SERVICE AND AVERAGE STAGE LENGTH FOR THE
PRIOR MONTH, FROM S.H.E. PRINT OUT NEW BOOK V, TABLE 16,
B-70 (B-131 AIRCRAFT - FIRST ANALYSIS)



TWA Ex. 322
(Least Squares Analysis-S.H.E. Avg. Stage Length - B-131B)

EXHIBIT
10/16/74

GRAPH SHOWING POINTS OF AVERAGE STAGE LENGTH
OF ADDED SERVICE AND AVERAGE STAGE LENGTH FOR THE
PRIOR MONTH, FROM S.H.E. PRINT OUT NEW BOOK V, TABLE 16,
B-7F (B-131B AIRCRAFT - FIRST ANALYSIS)



PASSENGERS ADDED OR (DELETED)

Attachment 6 B-707-331

	1959	1960	1961	1962	1963	Total
p. IV-27 additions	-	47,949	65,543	70,400	39,773	223,665
p. IV-33 deletions	-	(46,849)	(87,782)	(101,851)	(11,173)	(134,631)
M-404	-	(49,342)	(68,309)			(230,675)
049/749	-	(28,298)				(28,298)
1049	-	(33,961)	(79,281)	(2,006)	(3,067)	(118,315)
1049G	-	(420)				(420)
1049H	-	(5,848)	(68,827)		(8,344)	(83,019)
1649A	-					
Totals	(164,718)	(304,199)	(103,857)	(22,584)		(595,358)
<u>Early Delivery</u>						
p. V-17 additions	47,811	-	-	-	-	47,811
707-131	31,957	26,032	-	-	-	57,989
707-331						
Totals	79,768	26,032	-	-	-	105,800
<u>p. V-20 deletions</u>						
M-404	(34,505)	(24,483)	-	-	-	(58,988)
049/749	(71,394)	(24,742)	-	-	-	(96,136)
1049	(10,222)	(13,893)	-	-	-	(24,115)
1049G	(6,767)	(17,333)	-	-	-	(17,333)
1049H	(15,747)	(2,920)	-	-	-	(6,767)
1649A			-	-	-	(18,667)
Totals	(138,635)	(83,371)	-	-	-	(222,006)

328
12/1/7

(S.H.E.-Passengers Added/Deleted-Reconstructed TWA)

-2-

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>Total</u>
On Time Delivery 20 Convair 880						
P. VI-14 additions 20 CV. 880	-	309,239	110,462	-	-	419,701
P. VI-18 deletions M-404	-	{ 283,310 }	{ 20,103 }	-	-	{ 303,413 }
049/749	-	{ 290,677 }	{ 237,463 }	-	-	{ 528,140 }
1049	-	{ 60,733 }	-	-	-	{ 60,733 }
1049G	-	{ 276,153 }	{ 260,787 }	-	-	{ 536,940 }
1049H	-	{ 1,185 }	-	-	-	{ 1,185 }
1649A	-	{ 35,316 }	{ 24,525 }	-	-	{ 59,841 }
Totals	-	(947,374)	(542,878)	-	-	(1,490,252)
10 Additional 880's						
P. VII-15 additions P. VII-19 deletions		163,487	211,693	494,193	422,976	1,292,349
M-404	-	{ 178,509 }	-	-	-	{ 178,509 }
049/749	-	{ 152,399 }	{ 733,903 }	{ 849,389 }	{ 145,351 }	{ 1,881,042 }
1049G	-	{ 184,567 }	{ 335,008 }	{ 14,034 }	{ 147,227 }	{ 680,836 }
1649A	-	{ 18,496 }	-	-	{ 35,707 }	{ 54,203 }
Totals	-	(533,971)	(1,068,911)	(863,423)	(328,285)	(2,794,590)
GRAND TOTALS						
Added Deleted	79,768 (138,635)	546,707 (1,729,434)	387,698 (1,915,988)	564,593 (967,280)	462,749 (350,869)	2,041,515 (5,102,206)
M-404	{ 34,505 }	{ 533,151 }	{ 107,885 }	-	-	{ 675,541 }
049/749	{ 71,394 }	{ 517,160 }	{ 1,039,675 }	(951,240)	(156,524)	{ 2,735,923 }
1049G	{ 10,222 }	{ 102,924 }	(1,039,675)	(16,040)	(150,294)	{ 1,355,423 }
1049H	-	{ 512,814 }	(675,076)	-	-	{ 1,355,423 }

CONVAIR 880

1962

1963

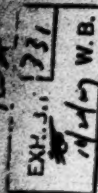
	Aircraft Available for Commercial Service	Available Seat Miles (Millions)	Revenue Passenger Miles (Millions)	Load Factor %	Aircraft Available for Commercial Service	Available Seat Miles (Millions)	Revenue Passenger Miles (Millions)	Load Factor %
August	20.0	185	108	58.3%	22.2	223	145	65.0%
September	20.0	177	103	58.2%	24.7	228	132	57.8%
October	19.9	178	94	52.8%	25.7	254	147	57.9%
November	20.0	165	83	50.3%	25.9	234	124	52.9%
December	20.0	172	88	51.1%	25.6	248	139	56.0%
Totals		877	476	54.2%		1,187	687	57.9%

Source: C&C 3 (4) & (5); TWA Domestic Division Operating Statistics, 1962 and 1963 (Schedule 3-70M)

(TWA Historical Load Factors - CV-880s, 1962-1963)

TWA Ex. 331

AX-1071



COMPARISON OF PAN AMERICAN
(ATLANTIC DIVISION) AND
TWA (INTERNATIONAL DIVISION)

1959

Pan American (Atl.)Jet Load Factor

First Qtr. 90.6%

Second Qtr. 91.5%

Third Qtr. 91.1%

Fourth Qtr. 75.5%

Annual Totals:

Jet Available Seat Miles (000)

Jet Available Revenue Passenger Miles (000)

Jet Load Factor

Jet % of Total A.S.M.

Jet % of Total R.P.M.

Piston Load Factor

TWA (Int'l)

Jet Load Factor	Piston Load Factor
0	49.2%
0	64.3%
0	65.1%
56.7%	53.1%
31,860	
18,052	
56.7%	
2.5%	
2.7%	
59.8%	

TWA
EXHIBIT 336
12/24/63 N.B.

TWA Ex. 345A
(Price Waterhouse Comparison - C. & C. and S.H.E. (Revised))

TRANS WORLD AIRLINES, INC.

COMPARISON OF CHANGE IN
OPERATING PROFITS IN REPORTS OF
COVERDALE & COLPITTS AND
SIMAT, HELLIESEN & EICHNER, INC.
(REVISED)

CHAPTERS II-V AND PARTS IV-VII, RESPECTIVELY
FOR THE PERIOD 1959-1963

* * * * *

This comparison reflects the following reports and exhibits:-

Coverdale & Colpitts:

1. Volumes I and IV of report dated May 2, 1966
2. TWA Exhibits 42, 42a, 43 and 43a
3. Defendants' Exhibit 262

Simat, Helliesen & Eichner, Inc.:

1. Report revised by computer print-outs' designated as Chapters 1, 2, 3 and 4
2. Attachment A to letter, dated November 16, 1967, from Mr. Simat to Mr. Hayes

TRANS WORLD AIRLINES, INC.COMPARISON OF CHANGE IN OPERATING PROFITS IN REPORTS OF
COVERDALE & COLPITTS AND SIMAT, HELLIESEN & EICHNER, INC. (REVISED)CHAPTERS II-V AND PARTS IV-VII RESPECTIVELYCONTENTS

SUMMARY BY:

Revenue and expense captions
Assumption
Assumption and caption
Assumption and year

A
B
C
D

NOTES TO SCHEDULES

		I** (not used)
<u>6 ADDITIONAL B331's:</u>	<u>Combining schedules</u>	<u>Detail schedules</u>
Total Domestic and International (1959-1963)	II	
Domestic (1960-1963)	II-1	
1960		II-2
1961		II-3
1962		II-4
1963		II-5
International (1959-1963)	II-6	
1959		II-7
1960		II-8
1961		II-9
1962		II-10
1963		II-11
<u>EARLIER RECEIPT OF B131's AND B331's:</u>		
Total Domestic and International (1959-1960)	III	
Domestic (1959-1960)	III-1	
1959		III-2
1960		III-3
International (1959-1960)	III-4	
1959		III-5
1960		III-6
<u>RECEIPT OF CV880's ON CONTRACT DELIVERY DATES:</u>		
Domestic (1960-1961)	IV	
1960		IV-1
1961		IV-2
<u>FLEET OF 30 CV880's:</u>		
Domestic (1960-1963)	V	
1960		V-1
1961		V-2
1962		V-3
1963		V-4

TWA Ex. 345A, Schedule A
(Price Waterhouse Comparison - C. & C. and S.H.E. (Revised))

**SUMMARY BY
REVENUE AND
EXPENSE CAPTIONS**

TRANS WORLD AIRLINES, INC.

**COMPARISON OF CHANGE IN OPERATING PROFITS IN REPORTS OF
COVERDALE & COLPITTS AND SIMAT, HELLIESEN & EICHNER, INC. (REVISED)**

CHAPTERS II-V AND PARTS IV-VII RESPECTIVELY

FOR THE PERIOD 1959 - 1963

(Amounts in millions)

	<u>C&C</u>	<u>SHE</u>	<u>*</u>
Transportation revenues:			
Passenger revenues	\$212.20	\$ 7.61	\$204.59
Other (Note A)	10.80	.36	10.44
Rounding		.02	(.02)
Total transportation revenues	<u>223.00</u>	<u>7.99</u>	<u>215.01</u>
Operating expenses:			
Flying operations	26.90)		
Direct maintenance	17.00)	14.78	32.12
Applied maintenance burden	3.00)		
Insurance	5.40	4.99	.41
Depreciation - jet aircraft (Note B)	44.10	44.10	
Rounding		.01	(.01)
	<u>96.40</u>	<u>63.88</u>	<u>32.52</u>
Aircraft servicing	9.40	(1.78)	11.18
Stewardess and related costs	16.00	2.54)	14.20
Other passenger servicing		(.74))	
Traffic servicing	10.70	(8.46)	19.16
Servicing administration	1.10	(.29)	1.39
Reservation and sales	21.00	3.15	17.85
Advertising and publicity	7.90	2.29	5.61
General and administrative	6.20	.77	5.43
Ground equipment maintenance			
and depreciation (Note B)	.30	.95	(.65)
Rounding		.03	(.03)
	<u>72.60</u>	<u>(1.54)</u>	<u>74.14</u>
Expenses covered in both reports	169.00	62.34	106.66
Depreciation - piston aircraft		(14.05)	14.05
Amortization (Note B)	2.30		2.30
Total operating expenses	<u>171.30</u>	<u>48.29</u>	<u>123.01</u>
Change in operating profits	<u>\$ 51.70</u>	<u>(\$40.30)</u>	<u>\$ 92.00</u>

*C&C over (under) SHE.

TRANS WORLD AIRLINES, INC.COMPARISON OF CHANGE IN OPERATING PROFITS IN REPORTS OF
COVERDALE & COLPITTS AND SIMAT, HELLIESEN & EICHNER, INC. (REVISED)CHAPTERS II-V AND PARTS IV-VII, RESPECTIVELYFOR THE PERIOD 1959 - 1963

(Amounts in millions)

CHANGES COVERED IN BOTH REPORTS:-

6 additional B331's:

Transportation revenues

Less - Expenses

<u>C&C</u>	<u>SHE</u>	
\$86.00	\$40.35	\$45.65
62.20	55.74	6.46
23.80	(15.39)	39.19

Earlier receipt of B131's and B331's:

Transportation revenues

Less - Expenses

18.40	3.86	14.54
8.50	6.55	1.95
9.90	(2.69)	12.59

Receipt of CV880's on contract delivery dates:

Transportation revenues

Less - Expenses

37.60	(35.80)	71.40
31.10	(14.95)	46.15
6.50	(20.85)	17.35

Fleet of 30 CV880's:

Transportation revenues

Less - Expenses

81.00	(.42)	81.42
67.20	15.00	52.20
13.80	(15.42)	29.18

Change in operating profits covered
in both reports

54.00	(54.35)	108.35
	14.05	(14.05)

DECREASE IN PISTON AIRCRAFT DEPRECIATION

INCREASED AMORTIZATION FOR 6 ADDITIONAL B331's
AND EARLIER RECEIPT OF B131's AND B331's

(2.30)		(2.30)
--------	--	--------

Change in operating profits

\$51.70	(\$40.30)	\$12.40
---------	-----------	---------

*C&C over (under) SHE.

Source: Schedule C

TWA Ex. 345A, Notes To Schedules
(Price Waterhouse Comparison - C. & C. and S.H.E. (Revised))

TRANS WORLD AIRLINES, INC.

COMPARISON OF CHANGE IN OPERATING PROFITS IN REPORTS OF
COVERDALE & COLPITTS AND SIMAT, HELLIESEN & EICHNER, INC. (REVISED)

CHAPTERS II-V AND PARTS IV-VII, RESPECTIVELY

STATE OF PREPARATION:

These comparative schedules were prepared from the reports of Coverdale & Colpitts, Volumes I and IV (including revisions set forth in TWA Exhibits 42, 42a, 43 and DX262) and Simat, Helliesen & Eichner, Inc. (as revised by computer print-designated as Chapters 1, 2, 3 and 4 and revisions set forth in Attachment A to letter, dated November 16, 1967, from Mr. Simat to Mr. Hayes) in order to facilitate review and analysis of the Simat, Helliesen & Eichner, Inc. report. These schedules do not indicate instances where calculations by C&C or SHE either resulted in amounts which were rounded to zero or resulted in no net changes in amounts.

E. A:

Changes in "other transportation revenues" are set forth separately by domestic and international division by SHE, but not by C&C. For purposes of this comparison, changes in "other revenues," which were determined by C&C to be changes in total passenger revenues, have been allocated to the respective divisions by applying this 5% rate to the change in each division's passenger revenues.

Additional 1959 "incidental revenues" determined by C&C to be \$.2 million Chapter III, "Earlier receipt of B131's and B331's," have been allocated equally to each division.

E. B:

The caption "Depreciation - jet aircraft" on these comparative schedules includes the following changes for each assumption:

	6	Earlier B131's	20	30	
	B331's	and B331's	CV880's	CV880's	Total
light equipment depreciation and expendable spare parts obsolescence	\$14.80	\$3.10	\$6.50	\$15.10	\$39.50
depreciation of ground property and equipment			.30		.30
amortization of developmental and preoperating expenses			1.20	3.10	4.30
	<u>\$14.80</u>	<u>\$3.10</u>	<u>\$8.00</u>	<u>\$18.20</u>	<u>\$44.10</u>

C&C showed separate amounts for these categories in Chapters II and III. They combined them in a single amount in Chapters IV and V. Since SHE accepted the amounts shown above as their "added depreciation and amortization costs," their increase in ground property and equipment depreciation is apparently overstated.

Table 16. AMERICAN AIRLINES, INC., DOMESTIC OPERATIONS

[illegible]

Includes all classes of property transported in unscheduled service. No separation was required in prior reporting prior to 1977. Does not include unscheduled service.

TWA Ex. 355, page 1
(Comparative Profit Study-TWA with AAL & UAL)

COMPARATIVE PROFIT STUDY

1959 - 1963

1964 - 1965

TWA INTERNATIONAL - PAA-ATLANTICTWA DOMESTIC - AMERICAN AND UNITEDEXHIBIT
29
4/1/66

	Operating Profits		
	1964	1965	Average
	(Millions)		
TWA International	\$34.6	\$47.6	\$41.1
TWA Domestic	50.9	49.8	50.3
PAA-Atlantic	26.2	33.7	29.9
American Domestic	61.2	70.9	66.1
United Domestic	72.3	45.0	58.7

	1964-1965 Average Operating Profits (Millions)	Ratio, TWA to Other
TWA International	\$ 41.1	1.37
PAA-Atlantic	29.9	
TWA Domestic	50.3	
American and United Domestic	124.8	.40

	Operating Profits (Losses)					
	1959	1960	1961	1962	1963	Total
	(Millions)					
PAA-Atlantic	\$17.5	\$16.6	\$ 4.5	\$12.5	\$33.3	\$ 84.4
American and United*	43.6	27.8	22.2	34.1	71.2	198.9
Domestic	(-7.8)	17.1	(-13.5)	15.3	23.4	34.5
TWA International	26.3	(-0.9)	(-24.2)	(-7.4)	17.5	11.3
TWA Domestic						

1959-1963 Profits	1964-1965 Profit Ratio, TWA to Other	Calculated 1959-1963 TWA Profits
(Millions)		(Millions)
PAA-Atlantic		\$ 84.4
American and United	1.37	\$115.6
Domestic	.40	79.6

Comparison Airline	Calculated 1959-1963 TWA Profits	Actual TWA Profits		Difference
	(Millions)			
PAA-Atlantic	\$115.6	TWA International	\$34.5	\$ 81.1
American and United	79.6	TWA Domestic	11.3	68.3
Domestic				\$149.4

Source: CAB Air Carrier Financial Statistics,
1960-1965. (page numbers on attached sheet.)

* Includes Capital 1959-1961.

TWA Ex. 355, page 2
(Comparative Profit Study-TWA with AAL & UAL)

Source: 1959-1960

CAB Quarterly Report of Air Carrier Financial Statistics.

1959 - Report of December 1960, pages 19, 20, 34 and 36.

1960 - Report of December 1961, pages 19, 34, 36 and 38.

1961-1965

CAB Air Carrier Financial Statistics issued quarterly,
quarter ended December 31 and 12 months ended December 31.

1961 - Report of 1962, pages 6, 7, 25 and 27.

1962 - Report of 1963, pages 6, 7, 25 and 27.

1963 - Report of 1964, pages 6, 7, 24 and 26.

1964 - Report of 1965, pages 6, 7, 24 and 26.

1965 - Report of 1966, pages 6, 7, 24 and 25.

(Comparative Profit Study-TWA with All Other Domestic Trunks)

COMPARATIVE PROFIT STUDY1959 - 19631964 - 1965TWA INTERNATIONAL - PAA-ATLANTICTWA DOMESTIC - ALL DOMESTIC TRUNKS (EXCEPT TWA)

	Operating Profits		
	1964	1965	Average
	(Millions)		
TWA International	\$ 34.6	\$ 47.6	\$ 41.1
TWA Domestic	50.9	49.8	50.3
PAA-Atlantic	26.2	33.7	29.9
All Domestic Trunks (except TWA)	245.9	366.4	306.2

	1964-1965 Average Operating Profits (Millions)	Ratio, TWA to Other
TWA International	\$ 41.1	1.37
PAA-Atlantic	29.9	
TWA Domestic	50.3	.16
All Domestic Trunks (except TWA)	306.2	

	Operating Profits (Losses)				
	1959	1960	1961	1962	1963
	(Millions)				
PAA-Atlantic	\$17.5	\$16.6	\$ 4.5	\$12.5	\$ 33.3
TWA International	(-7.8)	17.1	(-13.5)	15.3	23.4
TWA Domestic	26.3	(-0.9)	(-24.2)	(-7.4)	17.5
All Domestic Trunks (except TWA)	78.9	35.7	13.1	82.3	112.7

	1959-1963 Profits (Millions)	1964-1965 Profit Ratio, TWA to Other	Calculated 1959-1963 TWA Profits (Millions)
PAA-Atlantic	\$ 84.4	1.37	\$115.6
All Domestic Trunks (except TWA)	321.7	.16	51.4

Comparison Airlines	Calculated 1959-1963 TWA Profits (Millions)	Actual TWA Profits		Difference
		(Millions)		
PAA-Atlantic	\$115.6	TWA International	\$34.5	\$ 81.1
All Domestic Trunks (except TWA)	51.4	TWA Domestic	11.3	40.1
				\$121.2

Source: CAB Air Carrier Financial Statistics,
1960-1965 (page numbers on attached sheet)

Source: 1959-1960

CAB Quarterly Report of Air Carrier Financial Statistics.

1959 - Report of December 1960, pages 15, 19, 34 and 36.

1960 - Report of December 1961, pages 15, 19, 34 and 36.

1961-1965

CAB Air Carrier Financial Statistics issued quarterly,
quarter ended December 31 and 12 months ended December 31.

1961 - Report of 1962, pages 2, 6, 25 and 27.

1962 - Report of 1963, pages 2, 6, 25 and 27.

1963 - Report of 1964, pages 2, 6, 24 and 26.

1964 - Report of 1965, pages 2, 6, 24 and 26.

1965 - Report of 1966, pages 2, 6, 24 and 25.

(Comparison TWA Actual Jet Load Factors
vs. S.H.E. Marginal Passenger Mile Factors)

COMPARISON OF TWA ACTUAL JET
LOAD FACTORS AND S.H.E. VOLUME B
MARGINAL PASSENGER MILE FACTORS, JET

<u>Year</u>	<u>A/c Type</u>	<u>TWA Actual</u> ⁽¹⁾	<u>SHE Volume B</u> ⁽²⁾
1959	B-707-131	83.1%	17.1%
1960	B-707-131	69.4%	21.9%
	B-707-331	64.5%	20.4%
1961	B-707-131	52.6%	22.1%
	B-707-331	49.3%	20.8%
	CV. 880	65.5%	20.6%
	B-720B	48.1%	22.1%
1962	B-707-131	48.6%	23.2%
	B-707-331	41.8%	22.4%
	CV. 880	56.2%	21.7%
	B-707-131B	42.1%	23.2%
	B-707-331B	36.7%	22.4%
	B-720B	49.8%	23.2%
1963	B-707-131	55.7%	22.5%
	B-707-331	43.1%	21.0%
	CV. 880	57.3%	21.0%
	B-707-131B	45.7%	22.5%
	B-707-331B	44.3%	21.0%

(1) TWA Monthly Operating Statistics 370-M, TWA Exhibit C&C (3).

(2) S.H.E. P&L Program and Data Cards for Volume B, p. III-25.

**LOAD FACTORS OF TWA
BOEING 707-131 AIRCRAFT,
APRIL-JULY 1959**

	<u>Seat Miles</u>	<u>Passenger Miles</u>	<u>Load Factor</u>
April	30,161,049	28,985,591	96.1%
May	67,453,616	63,564,676	94.2%
June	100,065,054	95,873,847	95.8%
July	137,630,069	123,371,931	89.6%

Source: TWA Monthly Operating Statistics 370-M,
C&C (3).

TWA Ex. 420
(Price Waterhouse Comparison - C. & C. (Revised) and S.H.B.)

TRANS WORLD AIRLINES, INC.

COMPARISON OF CHANGE IN OPERATING PROFITS IN REPORT
OF COVERDALE & COLPITTS (REVISED) AND IN REPORTS
OF SIMAT, HELLIESEN & EICHNER, INC.

PRICE WATERHOUSE & Co.

TWA Ex. 420
(Price Waterhouse Comparison - C. & C. (Revised) and S.H.E.)

TRANS WORLD AIRLINES, INC.

COMPARISON OF CHANGE IN
OPERATING PROFITS IN REPORT OF
COVERDALE & COLPITTS (REVISED)
AND IN REPORTS OF
SIMAT, HELLIESEN & EICHNER, INC.

FOR THE PERIOD 1959-1963

* * * * *

This comparison reflects the following:

Coverdale & Colpitts:

Chapters II - V, as set forth in "Comparison of Change in Operating Profits in Reports of Coverdale & Colpitts and Simat, Helliesen & Eichner, Inc. (Revised)," TWA Exhibit 345A.

Simat, Helliesen & Eichner, Inc.:

1. Supplemental Report, Volume B, Part III, pages III-25, -26 and -27.
2. TWA Exhibit 345A, as revised by letter, dated January 23, 1968, from Mr. Ronald J. Cayo of Donovan Leisure Newton & Irvine to Mr. Dudley B. Tenney of Cahill, Gordon, Sonnett, Reindel & Ohl.

The Supplemental Report furnished by Simat, Helliesen & Eichner, Inc. relates to the domestic division.

The international division, which has not been revised, has been included in this comparison in order to set forth the total differences between the estimates of Coverdale & Colpitts and Simat, Helliesen & Eichner, Inc.

TRANS WORLD AIRLINES, INC.

COMPARISON OF CHANGE IN OPERATING PROFITS IN REPORT
OF COVERDALE & COLPITTS (REVISED) AND IN REPORTS
OF SIMAT, HELLIESEN & EICHNER, INC.

FOR THE PERIOD 1959-1963

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	Comparison Combining schedules - <u>schedules by year</u>	Summary schedules
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Domestic (SHE only)	B-2	B
International		
		C (by assumption)
		C
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Added jet:		
Domestic		
Domestic		D
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Deleted piston:		
Domestic		
Domestic		E
Domestic	E-2	E-1

TRANS WORLD AIRLINES, INC.

COMPARISON OF CHANGE IN OPERATING PROFITS IN REPORT OF
COVERDALE & COLPITTS (REVISED) AND IN REPORTS OF
SIMAT, HELLIESEN & EICHNER, INC.

(Amounts in millions)

	C&C	S H E		*	
	TWA Exh. 345A	TWA Exh. 345A	TWA Exh. 345A & Supplemental report	TWA Exh. 345A	TWA Exh. 345A & Supplemental report
Transportation revenues:					
Passenger revenues	\$212.20	\$ 7.61	(\$50.07)	\$204.59	\$262.27
Freight	10.80	.36	(2.52)	10.44	13.32
Mail		.02	.02	(.02)	(.02)
Total transportation revenues	223.00	7.99	(52.57)	215.01	275.57
Operating expenses:					
Flying operations	26.90)		
Aircraft maintenance	17.00	14.58 **	18.54)	32.32	28.36
Terminal maintenance burden	3.00)		
Insurance	5.40	4.99	)	.41	
Depreciation - jet aircraft	44.10	44.10	49.13)		.37
Depreciation - other		.01		(.01)	
	96.40	63.68	67.67	32.72	28.73
Aircraft servicing	9.40	(1.78)	2.14	11.18	7.26
Passenger and related costs		2.54)	2.73)		
Other passenger servicing	16.00	(.74)	(3.91)	14.20	17.18
Traffic servicing	10.70	(8.46)	(11.08)	19.16	21.78
Servicing administration	1.10	(.29)	(.23)	1.39	1.33
Operation and sales	21.00	3.15	(1.93)	17.85	22.93
Advertising and publicity	7.90	2.29	.83	5.61	7.07
General and administrative	6.20	.77	.36	5.43	5.84
Ground equipment maintenance					
Depreciation	.30	.95	1.08	(.65)	(.78)
Depreciation - other		.03	.08	(.03)	(.08)
	72.60	(1.54)	(9.93)	74.14	82.53
Expenses covered in both reports	169.00	62.14	57.74	106.86	111.26
Depreciation - piston aircraft		(14.05)	(14.40)	14.05	14.40
Depreciation - other	2.30			2.30	2.30
Total operating expenses	171.30	48.09	43.34	123.21	127.96
Change in operating profits	\$ 51.70	(\$40.10)	(\$95.91)	\$ 91.80	\$147.61

Schedule A, TWA Exh. 345A and
Schedule A-1 attached.
over (under) SHE.

\$1.2 million additional elimination of B331B flying operations expense
forth in the letter dated January 23, 1968 from Mr. Cayo to Mr. Tenney.

TRANS WORLD AIRLINES, INC.

COMPARISON OF CHANGE IN DOMESTIC OPERATING PROFITS
FROM ADDED JET SERVICES IN REPORTS OF
SIMAT, HELLIESEN & EICHNER, INC.

(Amounts in millions)

	<u>TWA Exh. 345A</u>	<u>Supplemental Report</u>	<u>*</u>
Transportation revenues:			
Passenger revenues	\$136.53	\$ 75.99	\$60.54
Other	6.82	3.79	3.03
Rounding	.01	.01	
Total transportation revenues	<u>143.36</u>	<u>79.79</u>	<u>63.57</u>
Operating expenses:			
Flying operations)		
Direct maintenance	)	99.68	100.66
Applied maintenance burden	)		(.98)
Insurance(1)	3.60)		
Depreciation(1)	31.70)	35.00	.30
Rounding			
	<u>134.98</u>	<u>135.66</u>	<u>(.68)</u>
Aircraft servicing	15.73	18.15	(2.42)
Stewardess and related costs	5.44	5.54	(.10)
Other passenger servicing	7.87	4.59	3.28
Traffic servicing	8.08	4.85	3.23
Servicing administration	1.26	1.23	.03
Reservation and sales	12.42	7.11	5.31
Advertising and publicity	3.18	1.69	1.49
General and administrative	8.15	7.51	.64
Ground equipment maintenance and depreciation	5.34	5.36	(.02)
Rounding	.02	.05	(.03)
	<u>67.49</u>	<u>56.08</u>	<u>11.41</u>
Total operating expenses	<u>202.47</u>	<u>191.74</u>	<u>10.73</u>
Decrease in operating profits from added jet services	(\$ 59.11)	(\$111.95)	\$52.84

(1) Depreciation and insurance are combined in the Supplemental Report.

Source: Schedule D-1 attached

* TWA Exh. 345A over(under) Supplemental Report.

TWA Ex. 420, Schedule E
(Price Waterhouse Comparison - C. & C. (Revised) and S.H.E.)

DELETED PISTON

TRANS WORLD AIRLINES, INC.

COMPARISON OF CHANGE IN DOMESTIC OPERATING PROFITS
FROM DELETED PISTON SERVICES IN REPORTS OF
SIMAT, HELLIESEN & EICHNER, INC.

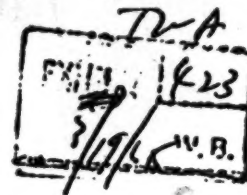
(Amounts in millions)

	<u>TWA Exh.345A</u>	<u>Supplemental Report</u>	<u>*</u>
Transportation revenues:			
Passenger revenues	\$174.02	\$171.16	\$2.86
Other	8.71	8.56	.15
Loading	(.01)	(.01)	
Total transportation revenues	<u>182.72</u>	<u>179.71</u>	<u>3.01</u>
Operating expenses:			
Flying operations)		
Direct maintenance	) 104.00	101.02	2.98
Applied maintenance burden)		
Insurance (1)	.34		.34
Loading	(.01)		(.01)
	<u>104.33</u>	<u>101.02</u>	<u>3.31</u>
Aircraft servicing	23.21	21.71	1.50
Stewardess and related costs	5.38	5.29	.09
Other passenger servicing	11.03	10.92	.11
Traffic servicing	18.25	17.64	.61
Servicing administration	2.20	2.11	.09
Reservation and sales	16.78	16.55	.23
Advertising and publicity	3.56	3.53	.03
General and administrative	9.79	9.56	.23
Ground equipment maintenance and depreciation	5.24	5.13	.11
Loading		(.02)	.02
	<u>95.44</u>	<u>92.42</u>	<u>3.02</u>
	199.77	193.44	6.33
Depreciation and insurance (1)	<u>10.55</u>	<u>10.90</u>	<u>(.35)</u>
Total operating expenses	<u>210.32</u>	<u>204.34</u>	<u>5.98</u>
Increase in operating profits from deleted piston services	<u>\$ 27.60</u>	<u>\$ 24.63</u>	<u>\$2.97</u>

Depreciation and insurance are
combined in the Supplemental Report.
See: Schedule E-1 attached

* TWA Exh.345A over(under) Supplemental Report.

TWA Ex. 423, page 1
(Late Evening Flights-TWA 1961-1963)



Schedules of Flight 15

Source: Employees' Timetables
(TWA Exhibit 4C(3))

<u>Effective Date</u>	<u>Airport</u>	<u>Arrival Time</u>	<u>Departure Time</u>
6/1/61	IDL		11:15 P.M.
	ORD	12:25 A.M.	12:55 A.M.
	LAX	2:50 A.M.	
7/2/61	IDL		11:15 P.M.
	ORD	12:25 A.M.	1:00 A.M.
	LAX	2:55 A.M.	
8/1/61	IDL		11:15 P.M.
	ORD	12:25 A.M.	1:00 A.M.
	LAX	2:55 A.M.	
9/1/61	IDL		11:15 P.M.
	ORD	12:25 A.M.	1:00 A.M.
	LAX	2:55 A.M.	
9/24/61	IDL		11:15 P.M.
	ORD	12:25 A.M.	1:05 A.M.
	LAX	2:00 A.M.	2:30 A.M.
	SFO	3:33 A.M.	
10/2/61	IDL		11:15 P.M.
	ORD	12:25 A.M.	1:05 A.M.
	LAX	2:00 A.M.	2:30 A.M.
	SFO	3:33 A.M.	
10/29/61	IDL		11:15 P.M.
	ORD	12:30 A.M.	1:15 A.M.
	LAX	3:15 A.M.	3:45 A.M.
	SFO	4:50 A.M.	

TWA Ex. 423, page 2
(Late Evening Flights-TWA 1961-1963)

-2-

<u>Effective Date</u>	<u>Airport</u>	<u>Arrival Time</u>	<u>Departure Time</u>
12/1/61	IDL		11:15 P.M.
	ORD	12:30 A.M.	1:15 A.M.
	LAX	3:15 A.M.	3:45 A.M.
	SFO	4:50 A.M.	
1/1/62	IDL		11:15 P.M.
	ORD	12:30 A.M.	1:15 A.M.
	LAX	3:15 A.M.	3:45 A.M.
	SFO	4:50 A.M.	
2/1/62	IDL		11:15 P.M.
	ORD	12:30 A.M.	1:15 A.M.
	LAX	3:15 A.M.	3:45 A.M.
	SFO	4:50 A.M.	
4/1/62	IDL		11:15 P.M.
	ORD	12:30 A.M.	1:15 A.M.
	LAX	3:15 A.M.	3:45 A.M.
	SFO	4:55 A.M.	
4/29/62: (Through 6/26/62)	IDL		11:10 P.M.
	ORD	12:20 A.M.	1:10 A.M.
	LAX	3:08 A.M.	3:40 A.M.
	SFO	4:47 A.M.	
(6/27/62)	IDL		11:15 P.M.
	ORD	12:20 A.M.	1:10 A.M.
	LAX	2:55 A.M.	3:30 A.M.
	SFO	4:33 A.M.	
(Terminates LAX After July 3 Origin)			
7/1/62	IDL		11:10 P.M.
	ORD	12:15 A.M.	12:55 A.M.
	LAX	2:40 A.M.	3:15 A.M.
	SFO	4:18 A.M.	
8/2/62	IDL		11:00 P.M.
	ORD	12:05 A.M.	12:45 A.M.
	LAX	2:30 A.M.	3:15 A.M.
	SFO	4:18 A.M.	

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<u>Effective Date</u>	<u>Airport</u>	<u>Arrival Time</u>	<u>Departure Time</u>
8/29/62	IDL		11:00 P.M.
	ORD	12:05 A.M.	12:45 A.M.
	LAX	2:30 A.M.	3:15 A.M.
	SFO	4:18 A.M.	
10/1/62	IDL		11:00 P.M.
	ORD	12:05 A.M.	12:45 A.M.
	LAX	2:30 A.M.	3:15 A.M.
	SFO	4:18 A.M.	
10/28/62	IDL		10:55 P.M.
	ORD	11:59 P.M.	12:40 A.M.
	LAX	2:35 A.M.	3:15 A.M.
	SFO	4:22 A.M.	
12/1/62	IDL		10:55 P.M.
	ORD	11:59 P.M.	12:40 A.M.
	LAX	2:35 A.M.	3:15 A.M.
	SFO	4:22 A.M.	
1/8/63	IDL		10:55 P.M.
	ORD	11:59 P.M.	12:40 A.M.
	LAX	2:25 A.M.	3:15 A.M.
	SFO	4:19 A.M.	
3/1/63	IDL		10:55 P.M.
	ORD	11:59 P.M.	12:40 A.M.
	LAX	2:25 A.M.	3:15 A.M.
	SFO	4:15 A.M.	
4/28/63	IDL		10:55 P.M.
	ORD	11:59 P.M.	12:40 A.M.
	LAX	2:28 A.M.	3:15 A.M.
	SFO	4:17 A.M.	
6/1/63	IDL		10:55 P.M.
	ORD	11:59 P.M.	12:40 A.M.
	LAX	2:28 A.M.	3:15 A.M.
	SFO	4:17 A.M.	

TWA Ex. 423, page 4
(Late Evening Flights-TWA 1961-1963)

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<u>Effective Date</u>	<u>Airport</u>	<u>Arrival Time</u>	<u>Departure Time</u>
7/1/63	IDL		10:55 P.M.
	ORD	11:59 P.M.	12:40 A.M.
	LAX	2:28 A.M.	3:15 A.M.
	SFO	4:17 A.M.	
		(First Class Seats Available Saturday and Sunday Only)	
8/1/63	IDL		10:50 P.M.
	ORD	11:54 P.M.	12:40 A.M.
	LAX	2:25 A.M.	3:15 A.M.
	SFO	4:15 A.M.	
		(First Class Seats Available Saturday and Sunday Only)	
8/22/63	IDL		10:50 P.M.
	ORD	11:54 P.M.	12:40 A.M.
	LAX	2:25 A.M.	3:15 A.M.
	SFO	4:15 A.M.	
		(First Class Available Saturday and Sunday Only)	
9/16/63	IDL		10:50 P.M.
	ORD	11:54 P.M.	12:40 A.M.
	LAX	2:25 A.M.	3:15 A.M.
	SFO	4:15 A.M.	
		(First Class Available Saturday and Sunday Only)	
10/1/63	IDL		10:50 P.M.
	ORD	11:54 P.M.	12:40 A.M.
	LAX	2:25 A.M.	3:15 A.M.
	SFO	4:15 A.M.	
		(First Class Available Saturday and Sunday Only)	
10/27/63	IDL		10:50 P.M.
	ORD	12:01 A.M.	12:40 A.M.
	LAX	2:32 A.M.	3:15 A.M.
	SFO	4:17 A.M.	
		(First Class Available Saturday and Sunday Only)	

TWA Ex. 424
(Cargo vs. Passenger Revenue-TWA Late Evening Flights)

ANALYSIS OF REVENUES
TWA FLIGHT 15
FOR DEPARTURES INCLUDED IN
S.H.E. TABLE G.G.
JANUARY 1962

<u>TYPE OF TRAFFIC</u>	<u>YIELD FACTOR</u>	<u>REVENUES</u>
<u>PASSENGER</u>		
\$148,369 ⁽¹⁾ ÷ 1.05	-- =	\$141,304
<u>AIRMAIL</u>		
117893 Ton Miles ⁽²⁾ x	\$0.324 ⁽³⁾ =	\$ 38,197
<u>EXPRESS</u>		
43,635 Ton Miles ⁽²⁾ x	\$0.364 ⁽³⁾ =	\$ 15,883
<u>FREIGHT</u>		
99,554 Ton Miles ⁽²⁾ x	\$0.190 ⁽³⁾ =	\$ 18,915
<u>P.C. MAIL</u>		
22,436 Ton Miles ⁽²⁾ x	\$0.324 ⁽³⁾ =	\$ 7,269
<u>BAGGAGE</u>		
\$141,304 x	\$0.0109 ⁽³⁾ =	\$ 1,540
TOTAL REVENUES		\$223,108
CARGO REVENUE	\$ 81,804	
PASSENGER REVENUE	\$141,304	= 58%

NOTES: (1) Total Revenue from S.H.E. Table GG
(2) Attachment B
(3) Attachment C

SOURCES:
S.H.E. Table G.G.
TWA on Board Reports, Form 3-422M, January 1962, attached.
TWA Financial Report January, 1962,
Schedule 2-1M and 2-1N TWA Exhibits C & C (2)(37)

**COMPARISON OF SELECTED
A/C NUMBERS FROM APPENDIX A**

/c Type	Month/Year	A/C Num.	Avg. Stage Length	Avg. L.F.	Total		Table O.O. Departures	Profit/Loss
					Revenues	Op. Expenses		
V. 880	June 1963	050	734.81	57.91	\$264,496	\$228,839	108	\$35,657
V. 880	Nov. 1961	030	734.12	60.53	\$264,858	\$278,581	109	(\$13,723)
-131	Feb. 1960	090	2478.5	64.48	\$288,179	\$256,648	30	\$31,531
-131	Mar. 1960	130	2474	65.90	\$284,170	\$277,588	29	\$ 6,585

7-2-64
EX-108 1426
3/17/64 W.B.

TWA Ex. 431, page 1
(Profitability of TWA A/C by Month - Computer Print-out)

APPENDIX A

TWA

I T S

C U P

A L A

A U A

M CHART

M CHART

M CHART	TOTAL REV	A/C UPER	GRANDING	TOTAL UPER	PROFIT/LOSS
59 04	1.536.640.75	399.533.78	350.360.51	749.894.29	786.746.46
	1.536.640.75	399.533.78	350.360.51	749.894.29	786.746.46
59 05	3.365.800.59	1.189.657.60	769.955.17	1.959.612.77	1.406.187.82
	3.365.800.59	1.189.657.60	769.955.17	1.959.612.77	1.406.187.82
59 06	5.090.128.13	1.766.430.21	1.180.802.31	2.947.232.52	2.142.895.61
	5.090.128.13	1.766.430.21	1.180.802.31	2.947.232.52	2.142.895.61
59 07	5.862.875.58	2.342.802.28	1.398.475.76	3.741.278.04	2.121.597.54
	5.862.875.58	2.342.802.28	1.398.475.76	3.741.278.04	2.121.597.54
59 08	5.721.911.42	3.694.089.73	2.340.555.43	6.034.645.16	3.687.326.26
	5.721.911.42	3.694.089.73	2.340.555.43	6.034.645.16	3.687.326.26
59 09	9.720.972.27	3.805.043.51	2.374.500.91	6.179.544.42	3.541.427.85
	9.720.972.27	3.805.043.51	2.374.500.91	6.179.544.42	3.541.427.85
59 10	9.308.076.41	3.871.716.24	2.296.777.00	6.168.493.24	3.139.583.17
	9.308.076.41	3.871.716.24	2.296.777.00	6.168.493.24	3.139.583.17
59 11	7.462.278.04	3.727.290.76	1.922.278.48	5.649.569.24	1.812.709.40
	7.462.278.04	3.727.290.76	1.922.278.48	5.649.569.24	1.812.709.40
59 12	7.722.447.31	3.773.000.11	1.973.833.45	5.746.833.56	1.975.663.75
	7.722.447.31	3.773.000.11	1.973.833.45	5.746.833.56	1.975.663.75
	59.791.241.10	24.569.564.22	14.607.539.02	39.177.103.24	20.614.137.86

C O V E R U A L E C C O L P I T I S					I M A		APPENDIX A	
VM	MO	LAFT	TOTAL MEV	A/C UPER	GRNDING	TOTAL UPER	PROFIT/LOSS	
60	01	13	8,153,390.35	3,706,925.31	2,226,357.76	6,003,283.07	2,150,107.28	
			8,153,390.35	3,706,925.31	2,226,357.76	6,003,283.07	2,150,107.28	*
60	02	13	5,832,019.16	3,135,286.92	1,712,564.39	4,654,853.31	977,185.87	
			5,832,039.16	3,135,288.92	1,719,564.39	4,654,853.31	977,185.87	*
60	03	13	6,644,018.01	3,631,661.64	2,604,109.90	5,635,771.54	1,008,246.47	
60	03	15	523,721.53	251,051.47	143,579.78	394,611.25	129,110.26	
			7,167,739.54	3,882,693.11	2,147,689.69	6,030,382.79	1,137,356.75	*
60	04	13	7,776,488.05	3,717,690.02	2,283,651.66	6,001,341.68	1,777,146.37	
60	04	15	678,251.56	265,917.92	177,299.49	443,217.41	231,034.09	
			8,452,739.55	3,983,607.94	2,460,951.15	6,444,559.09	2,008,180.46	*
60	05	13	8,396,037.48	4,122,393.89	2,497,814.21	6,620,208.10	1,773,829.38	
60	05	15	549,228.17	231,920.51	143,631.96	375,752.47	173,473.70	
			8,943,265.65	4,354,314.40	2,641,646.17	6,995,960.57	1,947,303.08	*
60	06	13	10,079,101.66	4,227,405.00	2,688,972.57	7,116,377.57	2,962,724.09	
60	06	15	844,485.57	275,969.74	213,159.42	489,129.16	355,356.81	
			10,923,587.23	4,503,374.74	3,102,131.99	7,605,506.73	3,316,080.90	*
60	07	13	10,053,377.33	4,250,335.14	2,692,329.76	7,142,664.92	2,910,712.41	
60	07	15	1,535,167.69	531,419.88	401,044.79	582,464.67	552,703.02	
			11,588,545.02	4,831,755.02	3,293,374.57	8,125,129.59	3,463,415.43	*
60	08	13	9,317,513.23	4,271,028.24	2,681,754.13	7,152,780.37	2,764,792.86	
60	08	15	1,991,962.55	766,512.27	516,837.97	1,293,350.24	708,612.31	
			11,909,535.78	5,037,540.51	3,398,590.10	8,446,130.61	3,473,405.17	*
60	09	13	8,999,030.87	4,061,993.62	2,665,168.55	6,727,162.20	2,271,863.67	
60	09	15	1,379,176.46	751,189.23	513,288.99	1,264,476.21	714,598.25	
			10,478,205.33	4,813,182.85	3,178,457.54	7,991,638.41	2,986,461.92	*

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APPENDIX A							
FA	NO	CRAFT	TOTAL REV	A/C UPK	GRANDTEND	TOTAL UPK	PROFIT/L/LOSS
60	10	13	7,788,962.43	3,635,365.62	2,353,713.91	6,229,019.53	1,559,942.90
60	10	15	1,747,139.74	792,472.40	476,321.31	1,268,793.71	478,346.03
			9,536,102.17	4,427,778.02	2,870,035.22	7,497,813.24	2,038,288.93
60	11	13	5,914,538.05	3,642,860.37	1,946,875.10	5,609,735.47	304,822.58
60	11	15	1,238,135.47	745,767.25	364,736.31	1,110,503.56	127,691.91
			7,152,673.52	4,388,627.62	2,311,611.41	6,720,239.03	432,714.49
60	12	13	4,576,431.22	3,740,260.27	2,113,242.72	5,853,542.99	722,948.23
60	12	15	1,300,311.75	764,799.13	390,570.30	1,145,369.43	154,942.32
			7,876,842.97	4,505,059.40	2,493,853.02	6,998,912.42	877,890.55
			108,514,906.69	51,770,147.34	31,934,261.02	83,704,406.36	24,310,497.83

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C U V E N U A L E C U L P I T S T W A

IR NO	CHART	TOTAL REV	A/C UP/L	GRNDLING	TOTAL UP/L	PROFIT/LOSS
61	01	507,070.56	595,658.24	381,157.06	976,815.30	20,255.26
61	01	6,594,753.52	3,354,938.35	2,297,042.61	5,652,730.96	946,972.56
61	01	1,661,121.83	881,173.49	518,783.00	1,399,956.49	261,165.34
		5,257,945.91	4,831,770.08	3,197,782.67	8,029,552.75	1,228,393.16
61	02	1,439,367.22	870,476.57	539,726.25	1,410,202.82	29,164.40
61	02	3,636,349.62	2,376,418.51	1,340,465.68	3,716,884.19	80,534.57
61	02	857,748.16	644,643.43	294,581.10	939,224.53	41,476.37
		5,933,465.00	3,891,538.51	2,174,773.03	6,066,311.54	132,846.54
61	03	2,760,477.62	1,457,036.57	1,017,493.33	2,474,529.90	285,947.72
61	04	5,622,438.69	3,262,182.87	2,690,450.66	5,372,633.53	250,305.16
61	03	1,462,418.42	939,075.66	409,394.28	1,436,469.94	23,948.48
		9,845,834.73	5,678,295.10	3,607,338.27	9,285,633.37	560,201.36
61	04	3,060,336.57	1,655,283.34	1,131,908.51	2,787,196.85	293,139.72
61	04	6,313,205.74	3,240,797.72	2,260,043.97	5,500,841.69	812,364.05
61	04	1,160,737.22	737,215.09	382,524.53	1,119,739.82	40,997.60
		10,554,278.53	5,633,301.15	3,774,477.01	9,407,778.16	1,146,501.37
61	05	4,569,326.81	2,569,420.97	1,775,440.16	4,344,861.13	224,465.68
61	05	6,237,538.93	3,642,163.87	2,297,182.87	5,739,346.74	498,192.19
61	05	1,148,614.52	726,629.36	376,667.19	1,105,296.55	43,317.97
		11,955,482.26	6,740,214.20	4,449,299.22	11,189,504.42	765,977.84
61	06	5,887,949.20	2,979,607.86	2,191,010.69	5,170,817.95	717,131.25
61	06	8,459,726.31	3,931,329.77	2,939,944.47	6,867,274.24	1,572,452.07
61	06	1,423,556.60	694,948.54	425,800.93	1,120,749.47	302,807.13
		15,751,232.11	7,605,386.17	5,552,755.49	13,158,641.66	2,592,590.45
61	07	3,437,373.23	3,274,267.79	2,262,374.37	5,536,542.10	300,736.07
61	07	8,115,224.38	3,945,212.30	2,875,153.67	6,870,366.17	1,244,858.21
61	07	1,047,623.44	560,723.66	329,226.14	915,950.00	181,673.49
		15,050,226.10	7,856,203.95	5,466,754.38	13,322,958.33	1,727,267.77

APPENDIX A

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APPENDIX A

TWA

C U A V E R A L E C C U L P I T S

FA HQ CRAFT	TOTAL REV	A/C OPER	CRNDG INJ	TOTAL OPER	PROFIT/LOSS
61 08 13	8,664,285.42	3,769,211.13	2,998,920.63	6,968,131.76	1,696,153.66
61 09 15	1,481,349.90	674,116.40	430,985.96	1,105,102.36	376,247.54
	11,040,421.55	8,222,601.69	6,027,997.80	14,250,599.49	2,790,362.06 *
61 09 12	6,961,959.82	3,939,076.32	2,750,355.87	6,689,432.19	272,567.63
61 09 13	7,595,312.46	3,765,675.57	2,715,973.52	6,481,654.39	1,113,658.07
61 09 15	1,258,670.84	575,860.11	307,285.92	946,146.03	312,544.81
61 09 17	804,412.13	456,614.05	223,454.50	685,078.53	30,666.42-
	16,420,415.25	8,737,226.05	6,059,035.11	14,796,311.16	1,624,104.09 *
61 10 12	6,567,774.18	3,810,104.03	2,616,098.36	6,426,402.39	1-1,371.79
61 10 13	7,250,745.63	3,925,737.49	2,691,070.91	6,616,808.40	633,937.23
61 10 15	794,545.99	449,653.04	230,855.24	694,909.08	94,636.91
61 10 17	2,361,726.57	1,428,472.36	957,669.89	2,886,142.25	524,415.68-
	16,979,792.37	10,113,507.72	6,515,694.40	16,629,262.12	350,530.25 *
61 11 12	5,869,969.90	3,707,682.00	2,420,450.43	6,128,132.43	238,142.53-
61 11 13	4,725,521.19	3,021,163.56	1,906,964.75	4,929,128.31	202,207.12-
61 11 15	1,113,758.43	822,470.21	394,384.11	1,196,854.32	83,095.89-
61 11 17	875,125.40	846,333.89	364,635.64	1,210,969.53	355,844.13-
	12,604,754.92	8,377,649.66	5,086,434.93	13,464,084.59	859,289.67-
61 12 12	6,086,382.67	3,701,548.59	2,421,139.95	6,122,688.54	36,305.87-
61 12 13	5,485,534.10	2,906,290.20	2,038,267.50	4,914,557.70	570,976.40
61 12 15	1,309,031.25	799,054.01	436,546.64	1,235,444.83	73,586.40
61 12 17	1,049,686.37	632,675.25	394,697.52	1,227,372.77	177,686.40-
	13,930,634.39	8,239,612.05	5,260,451.61	13,506,063.86	430,570.53 *
	155,325,034.12	85,927,866.33	57,172,835.12	143,100,701.45	12,224,362.67 **

C U V E R A L E C C U L A T I T S				T M A		APPENDIX A	
YR	MO	CHART	TOTAL REV	A/C UPK	GASOLINO	TOTAL UPK	PROFIT/LOSS
62	01	12	6,467,667.16	3,859,131.26	2,608,720.09	6,467,911.37	244.21-
62	01	13	5,534,956.40	2,766,396.94	2,054,795.75	4,821,194.69	713,764.11
62	01	15	1,171,950.15	787,694.40	404,340.13	1,132,038.53	20,088.38-
62	01	17	1,168,112.47	843,762.04	443,472.09	1,287,234.13	119,121.66-
			14,342,686.58	8,257,049.56	5,511,328.06	13,768,376.72	574,309.86 *
62	02	12	5,861,202.23	3,780,945.67	2,433,929.56	6,214,775.23	373,573.00-
62	02	13	4,522,590.10	2,860,050.73	1,811,269.94	4,471,320.67	61,269.43
62	02	15	900,269.03	736,327.74	340,372.44	1,076,100.17	175,831.14-
62	02	17	905,331.39	767,985.43	370,048.46	1,136,033.49	232,702.50-
			12,179,392.75	7,645,002.56	4,955,220.40	12,900,229.96	720,837.21-
62	03	12	6,234,113.98	4,099,998.61	2,730,325.67	6,630,224.28	196,090.30-
62	03	13	4,531,902.66	2,829,167.04	1,861,060.34	4,790,187.38	141,715.48
62	03	15	957,386.29	757,554.52	366,188.36	1,124,142.88	126,746.59-
62	03	17	1,012,285.22	851,759.71	416,941.70	1,268,681.41	256,416.19-
			13,575,688.35	8,538,699.88	5,474,516.77	14,013,235.95	437,537.60-
62	04	12	6,226,930.75	3,688,156.81	2,530,563.35	6,218,762.16	9,168.59
62	04	13	6,185,652.16	3,550,167.33	2,440,678.68	5,790,646.01	394,806.15
62	04	14	6,944,432	23,150.79	20,756.31	43,917.10	26,021.22
62	04	15	574,020.36	478,283.63	237,033.80	685,317.43	111,297.07-
62	04	17	1,305,102.94	879,685.51	500,104.14	1,379,189.65	74,086.66-
			14,361,630.56	8,418,886.07	5,699,146.28	14,118,032.35	243,618.23 *
62	05	12	6,384,105.99	3,745,729.21	2,608,994.16	6,404,723.37	20,817.38-
62	05	13	6,879,272.94	3,672,665.96	2,749,282.72	6,421,948.88	457,324.26
62	05	14	815,420.09	363,488.87	246,196.33	611,685.20	203,734.89
62	05	17	1,267,446.72	859,937.59	474,965.08	1,334,352.67	67,505.95-
			15,346,245.74	8,691,871.63	6,081,433.29	14,773,309.92	572,935.82 *
62	06	12	6,777,622.34	3,941,256.36	2,739,223.09	6,680,481.45	97,350.69
62	06	13	7,014,411.04	3,379,855.45	2,693,548.11	6,073,793.56	940,707.48
62	06	14	797,767.17	370,683.92	245,637.25	616,321.17	181,446.00
62	06	17	1,495,761.00	641,051.16	523,255.05	1,364,306.21	131,454.79
			16,085,771.55	8,552,846.89	6,201,763.50	14,734,812.39	1,350,959.16 *

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C U A V E R N A L E C C U L A T I O N						APPENDIX A	
TA	NO	CRAFT	TOTAL REV	A/C OPER	GRUINGING	TOTAL OPER	PROFIT/LOSS
62	07	13	6,462,473.61	3,164,928.63	2,493,342.90	5,658,271.53	324,202.08
62	07	14	764,071.36	362,487.93	238,130.14	608,617.67	157,454.19
62	07	17	1,353,934.43	847,671.88	486,306.39	1,333,976.27	19,956.16
			14,647,253.29	8,202,486.30	5,785,344.62	13,987,830.32	859,422.97 *
62	08	12	6,640,834.43	3,778,260.22	2,661,864.45	6,440,444.67	200,389.76
62	08	13	6,502,468.38	3,091,805.07	2,557,514.02	5,649,319.09	933,169.29
62	08	14	5,302,629.26	1,737,211.45	1,735,579.45	3,472,770.93	1,825,838.36
62	08	17	1,576,278.49	861,972.13	542,544.20	1,404,516.33	165,762.16
			20,046,230.56	9,469,558.87	7,497,502.12	16,967,070.99	3,129,159.57 *
62	09	12	6,352,863.36	3,070,319.12	2,564,847.04	5,235,166.16	1,177,697.20
62	09	13	5,441,358.59	2,719,969.25	2,280,456.67	5,000,445.92	440,953.07
62	09	14	5,422,973.31	2,486,653.50	1,866,565.27	4,357,218.77	1,065,754.54
62	09	17	1,003,512.32	635,727.20	354,943.45	1,050,700.65	47,188.33-
			18,250,747.98	9,566,719.07	7,086,812.43	16,653,531.50	1,597,216.48 *
62	10	12	5,625,965.94	3,710,023.90	2,457,412.83	6,169,436.13	333,470.79-
62	10	13	5,217,389.19	2,329,332.52	2,259,372.54	5,087,705.06	129,684.13
62	10	14	6,962,365.72	3,147,843.61	2,455,352.81	5,605,196.42	1,357,170.30
62	10	17	242,677.13	477,104.60	85,625.71	562,730.31	330,053.18-
			18,248,378.96	10,165,304.63	7,259,763.89	17,425,068.52	823,310.46 *
62	11	12	5,092,672.42	3,487,470.27	2,214,657.32	5,704,127.59	611,454.67-
62	11	13	4,635,454.61	2,455,916.80	2,064,576.27	4,560,493.07	78,961.54
62	11	14	7,401,463.93	3,165,620.77	2,608,750.67	5,774,371.44	1,627,092.49
			17,133,591.46	9,151,007.84	6,887,984.26	16,038,992.10	1,094,599.36 *
62	12	12	5,493,912.46	3,672,527.09	2,378,315.86	6,050,842.35	556,930.47-
62	12	13	4,426,656.52	2,472,809.54	2,035,378.37	4,508,197.91	120,468.64
62	12	14	7,566,762.37	3,108,377.31	2,578,168.38	5,687,045.69	1,839,716.68
			17,649,331.40	9,254,213.94	6,991,862.61	16,246,076.55	1,403,254.85 *
			192,116,979.22	106,193,665.34	75,432,901.93	181,626,567.27	10,490,411.95 **

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APPENDIX A

T M A

I F T S

C O L P I T S

E C C O L P I T S

C O V E M O A L E C C O L P I T S

MO	CHART	TOTAL REV	A/C OPER	GRANDING	TOTAL OPER	PROFIT/LOSS
01	12	5,484,621.97	3,072,476.40	2,060,371.84	5,132,848.24	351,773.73
01	13	4,441,630.84	2,401,534.43	1,760,606.59	4,162,145.02	279,485.82
01	14	7,364,647.37	3,588,564.12	2,273,103.54	5,661,464.66	1,703,182.71
		17,290,900.18	8,862,378.95	6,094,078.97	14,950,457.92	2,334,442.26
02	12	4,795,978.72	2,721,157.72	1,819,730.55	4,540,888.27	255,090.45
02	13	3,824,473.62	2,217,414.91	1,600,935.24	3,818,400.15	6,073.47
02	14	5,849,879.27	3,040,573.07	1,937,542.34	4,976,515.41	871,363.86
		14,470,331.61	7,979,545.70	5,358,258.13	13,337,803.83	1,132,527.78
03	12	5,636,852.74	3,067,105.64	2,094,792.57	5,161,898.21	456,954.53
03	13	4,813,534.87	2,419,404.02	1,789,908.26	4,209,312.28	204,222.59
03	14	6,836,926.32	3,317,757.60	2,172,968.28	5,490,725.88	1,346,200.44
		16,885,313.93	8,824,267.26	6,057,669.11	14,881,936.37	2,007,377.56
04	12	5,562,970.06	2,750,038.38	1,997,891.11	4,757,989.49	804,980.57
04	13	4,822,238.42	2,459,185.31	1,923,653.19	4,338,038.50	434,199.92
04	14	8,117,415.36	3,403,820.59	2,461,538.90	5,865,359.49	2,252,055.87
		18,502,623.84	8,623,104.28	6,388,283.20	15,011,387.48	3,491,236.36
05	12	6,463,723.04	3,209,367.74	2,354,885.99	5,559,253.73	904,469.31
05	13	4,833,690.00	2,463,561.83	1,918,847.82	4,358,429.65	475,260.35
05	14	7,425,251.53	3,495,004.21	2,416,252.68	5,912,056.89	1,513,194.64
		18,722,664.57	9,143,753.76	6,685,986.49	15,829,740.27	2,893,124.30
06	12	8,275,659.95	3,451,097.19	2,759,871.86	6,210,969.05	2,064,690.90
06	13	5,673,243.24	2,538,704.24	2,233,649.47	4,772,553.71	1,100,739.53
06	14	5,169,107.90	3,364,691.30	2,676,023.89	5,040,715.19	3,146,392.71
		23,338,301.09	9,354,492.73	7,669,745.22	17,024,237.95	6,314,063.14
07	12	7,700,543.26	3,448,025.72	2,633,343.82	6,061,374.54	1,619,168.72
07	13	5,815,128.68	2,685,880.15	2,245,479.79	4,931,359.94	883,768.74
07	14	9,321,688.64	3,554,668.08	2,780,542.74	6,335,210.92	2,986,487.87
		22,837,370.63	9,688,573.95	7,659,371.35	17,347,945.30	5,489,429.33

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APPENDIX A

T W A

C R U I T S

C O C U C C

C H A F T

MO	CHART	TOTAL REV	A/C OPER	CRU/LINU	TOTAL OPER	PROFIT/LOSS
08	13	6,594,828.70	2,792,960.38	2,447,154.01	5,240,114.39	1,354,714.31
08	14	10,106,223.71	3,503,869.56	2,900,924.85	5,404,814.41	3,701,409.30
		25,361,860.20	9,905,347.48	6,217,037.05	18,122,364.53	7,239,475.67 *
09	12	7,907,662.03	3,702,715.44	2,747,775.28	6,450,491.72	1,457,370.31
09	13	6,555,967.18	2,621,664.41	2,334,905.24	5,156,539.65	899,377.53
09	14	8,174,711.26	3,190,171.19	2,454,991.56	5,645,162.75	2,529,608.51
		22,138,600.47	9,714,571.04	7,537,673.08	17,252,244.12	4,886,356.35 *
10	12	8,774,041.89	4,165,301.38	3,105,822.94	7,271,124.32	1,502,917.57
10	13	5,988,869.38	2,440,357.88	2,382,782.34	5,273,140.26	715,729.12
10	14	6,313,051.67	3,390,935.73	2,518,695.29	5,909,641.02	2,403,390.65
		21,075,962.94	10,446,624.99	8,007,300.61	18,453,925.60	4,622,037.34 *
11	12	7,429,512.91	3,986,344.40	2,761,665.10	6,749,009.50	681,523.41
11	13	5,408,613.51	2,736,605.33	2,208,635.69	4,947,134.02	461,464.49
11	14	6,498,027.69	3,695,511.77	2,871,996.85	5,167,503.62	1,330,519.07
		19,336,376.11	9,820,521.50	7,042,350.64	16,862,672.14	2,473,506.97 *
12	12	6,466,937.81	4,247,924.75	3,061,064.38	7,300,989.13	1,137,948.68
12	13	6,202,650.12	2,921,843.02	2,451,752.09	5,373,595.11	829,053.01
12	14	7,725,166.10	3,354,798.35	2,393,084.81	5,747,883.16	1,977,282.94
		22,374,754.03	10,524,566.12	7,905,901.28	18,440,467.40	3,944,286.63 *
		244,335,282.60	112,687,747.78	64,623,655.13	197,511,402.91	46,427,379.69 **

TWA Ex. 431, page 10
 (Profitability of TWA A/C by Month - Computer Print-out)

760.087.493.73 381.368.991.51 263.771.192.22 645.120.183.73 114.967.310.00 ***

TOTAL RECORD COUNT 19,282

*** END OF JOB ***

THESE ARE THE RANDOM NUMBERS GENERATED TO SIMULATE
OBSERVATIONS. THE NUMBER OF OBSERVATIONS IS

TWA Ex. 435, page 1
(Regression Analysis-
Random Numbers)

OBSERVATION	VALUE
1	969221
2	546376
3	609427
4	675973

EXHIBIT 43
3/10/63 (V.R.)

THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER.
THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN.

RANK	OBSERVATION	VALUE
1	1	969221
2	4	675973
3	3	609427
4	2	546376

THE RANKED LIST ABOVE IS USED AS INPUT TO THE
REGRESSION PROGRAM ATTACHED. THE INDEPENDENT
VARIABLE, X, IS THE RANK OF THE OBSERVATION;
THE VALUE OF THE OBSERVATION IS THE DEPENDENT

COLINR 16:03 THUR 02-22-63

SIMPLE LINEAR REGRESSION

EQUATION: $Y = A + B \cdot X$

HOW MANY OBSERVATIONS ON EACH VARIABLE? 4

VARIABLE	MEAN	VARIANCE	STD DEVIATION
X	2.5	1.25	1.11803
Y	702417.	2.61621 E 10	161769.

INDEX (R-2)	EXPL VAR	UNEXPL VAR	STD ERROR
.849273	2.22243 E 10	3.94424 E 9	62803.2

PARAMETER	VALUE	95 PCT CONFIDENCE LIMITS
A	1.83377 E 6	8.62720. 1.26432 E 6
B	-133341.	-23.6332. 19.649.9

ESTIMATED VALUES OF Y (FROM THE REGRESSION) AND CONFIDENCE
LIMITS FOR INDIVIDUAL VALUES OF Y, FOR EACH VALUE OF X:

X-ACTUAL	Y-ACTUAL	Y-CALC	95 PCT CONFIDENCE LIMITS	
1	969221	969493.	454337.	1.34647 E 6
2	675973	767037.	377025.	1.15714 E 6
3	609427	633746.	243024.	1.02335 E 6
4	546376	566465.	54360.5	946447.

THESE ARE THE RANDOM NUMBERS GENERATED TO SIMULATE
OBSERVATIONS. THE NUMBER OF OBSERVATIONS IS

TWA Ex. 435, page 2
(Regression Analysis-
Random Numbers)

OBSERVATION	VALUE
1	262265
2	217323
3	734219
4	791366

THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER.
THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN.

RANK	OBSERVATION	VALUE
1	4	791366
2	3	734219
3	1	262265
4	2	217323

THE RANKED LIST ABOVE IS USED AS INPUT TO THE
REGRESSION PROGRAM ATTACHED. THE INDEPENDENT
VARIABLE, X, IS THE RANK OF THE OBSERVATION;
THE VALUE OF THE OBSERVATION IS THE DEPENDENT
VARIABLE, Y.

EQUATION: $Y = A + BX$

HOW MANY OBSERVATIONS ON EACH VARIABLE? 4

VARIABLE	MEAN	VARIANCE	STD DEVIATION
X	2.5	1.25	1.11803
Y	501403.	6.91664 E 10	262881.

INDEX (R-2)	EXPL VAR	UNEXPL VAR	STD ERROR
.871807	6.02474 E 10	8.85393 E 9	9.4122.1

PARAMETER	VALUE	95 PCT CONFIDENCE LIMITS
A	1050254	793965. 1.30662 E 6
B	-219546.	-443325. 9744.83

ESTIMATED VALUES OF Y (FROM THE REGRESSION) AND CONFIDENCE
LIMITS FOR INDIVIDUAL VALUES OF Y, FOR EACH VALUE OF X:

X-ACTUAL	Y-ACTUAL	Y-CALC	95 PCT CONFIDENCE LIMITS	
1	791366	836714.	162233.	1.49919 E 6
2	734219	611173.	26663.7	1.19574 E 6
3	262265	391633.	-172932.	976193.
4	217323	172933.	-426312.	870561.

THESE ARE THE RANDOM NUMBERS GENERATED TO SIMULATE
OBSERVATIONS. THE NUMBER OF OBSERVATIONS IS

(6)

OBSERVATION	VALUE
1	404413
2	903356
3	533311
4	326347
5	343516
6	63617

THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER.
THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN.

RANK	OBSERVATION	VALUE
1	2	903356
2	3	533311
3	1	404413
4	5	343516
5	4	326347
6	6	63617

THE RANKED LIST ABOVE IS USED AS INPUT TO THE
REGRESSION PROGRAM ATTACHED. THE INDEPENDENT
VARIABLE, X, IS THE RANK OF THE OBSERVATION;
THE VALUE OF THE OBSERVATION IS THE DEPENDENT
VARIABLE, Y.

COLINR 16:10 THUR 02-22-63

SIMPLE LINEAR REGRESSION

EQUATION: $Y = A + B \cdot X$

HOW MANY OBSERVATIONS ON EACH VARIABLE? 6

VARIABLE	MEAN	VARIANCE	STD DEVIATION
X	3.5	2.91667	1.70733
Y	431673.	6.54517 E 10	255335.

INDEX (1-2)	EXPL VAR	UNEXPL VAR	STD ERROR
.873412	5.74935 E 10	7.95312 E 9	89203.3

PARAMETER	VALUE	95 PCT CONFIDENCE LIMITS
A	923676.	861332. 1.6432 E 6
B	-140406.	-211636. -69113.7

ESTIMATED VALUES OF Y (FROM THE REGRESSION) AND CONFIDENCE LIMITS FOR INDIVIDUAL VALUES OF Y, FOR EACH VALUE OF X:

X-ACTUAL	Y-ACTUAL	Y-CALC	95 PCT CONFIDENCE LIMITS	
1	903356	782677.	414553.	1.15630 E 6
2	533311	642277.	302833.	981666.
3	404413	501377.	17307.	825943.
4	343516	361473.	37407.4	635543.
5	326347	221673.	-113311.	566467.
6	63617	86673.3	-237441.	44377.

TIME: 3 SECS.

THESE ARE THE RANDOM NUMBERS GENERATED TO SIMULATE
OBSERVATIONS. THE NUMBER OF OBSERVATIONS IS

(15)

OBSERVATION	VALUE
1	465419
2	921397
3	963663
4	528452
5	1496
6	611746
7	750179
8	318494
9	72835
10	967796
11	499637
12	50599
13	232339
14	229764
15	144770

THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER.
THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN.

RANK	OBSERVATION	VALUE
1	3	963663
2	10	967796
3	2	921397
4	7	750179
5	6	611746
6	4	528452
7	11	499637
8	1	465419
9	8	318494
10	13	232339
11	14	229764
12	15	144770
13	9	72835
14	12	50599
15	5	1496

THE RANKED LIST ABOVE IS USED AS INPUT TO THE
REGRESSION PROGRAM ATTACHED. THE INDEPENDENT
VARIABLE, X, IS THE RANK OF THE OBSERVATION;
THE VALUE OF THE OBSERVATION IS THE DEPENDENT
VARIABLE, Y.

COLINE 16:13 THUR 62-22-63

TWA Ex. 435, page 6
(Regression Analysis-
Random Numbers)

SIMPLE LINEAR REGRESSION

EQUATION: $Y = A + B \cdot X$

HOW MANY OBSERVATIONS ON EACH VARIABLE? 15

VARIABLE	MEAN	VARIANCE	STD DEVIATION
X	8	18.6667	4.3207
Y	4509.63	1.06246 E 11	3259.53

INDEX (R-2)	EXPL VAR	INEXPL VAR	STD ERROR
.974351	1.03574 E 11	2.67261 E 9	51691.5

PARAMETER	VALUE	95 PCT CONFIDENCE LIMITS	
A	1.04632 E 6	1.01536 E 6	1.07777 E 6
B	-74433.8	-81653.5	-67224.2

ESTIMATED VALUES OF Y (FROM THE REGRESSION) AND CONFIDENCE LIMITS FOR INDIVIDUAL VALUES OF X, FOR EACH VALUE OF X:

X-ACTUAL	Y-ACTUAL	Y-CALC	95 PCT CONFIDENCE LIMITS	
1	968.663	972330.	833739.	1.16592 E 6
2	967770	897841.	766772.	1.02391 E 6
3	921397	822352.	694455.	952256.
4	756179	743364.	621771.	875956.
5	611746	674375.	543784.	800046.
6	584452	599886.	475240.	724532.
7	499637	525397.	401371.	649424.
8	465419	450703.	327039.	574723.
9	318424	376419.	252393.	500446.
10	232339	301931.	177235.	426576.
11	229764	227442.	101771.	352113.
12	144776	152753.	25360.3	280046.
13	72335	73464.2	-50433.2	207362.
14	56599	3975.33	-127094.	135045.
15	1490	-70513.4	-204164.	66077.4

TIME: 4 SECS.

THESE ARE THE RANDOM NUMBERS GENERATED TO SIMULATE
OBSERVATIONS. THE NUMBER OF OBSERVATIONS IS

(24)

TWA Ex. 435, page 7
(Regression Analysis-
Random Numbers)

OBSERVATION	VALUE
1	43 6743
2	625261
3	19 6133
4	36779
5	776275
6	179 662
7	40 1414
8	779 252
9	277335
10	732766
11	7433 40
12	169 295
13	169 310
14	1498 07
15	506199
16	267143
17	373 23 6
18	46020
19	8 1226
20	243029
21	53 2547
22	73 6639
23	521655
24	777139

THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER.
THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN.

RANK	OBSERVATION	VALUE
1	22	73 6639
2	8	779 252
3	24	777139
4	5	776275
5	11	7433 40
6	10	732766
7	2	625261
8	21	53 2547
9	23	521655
10	15	506199
11	7	40 1414
12	1	43 6743
13	17	373 23 6
14	9	277335
15	16	267143
16	26	243029
17	3	19 6133
18	6	179 662
19	13	169 310
20	14	1493 07
21	12	169 295
22	19	8 1226
23	18	46020
24	4	36779

THE RANKED LIST ABOVE IS USED AS INPUT TO THE
REGRESSION PROGRAM ATTACHED. THE INDEPENDENT
VARIABLE, X, IS THE RANK OF THE OBSERVATION;
THE VALUE OF THE OBSERVATION IS THE DEPENDENT
VARIABLE, Y.

COLINE 16:35 THU 02-22-68

TWA Ex. 435, page 8
(Regression Analysis-
Random Numbers)

SIMPLE LINEAR REGRESSION

EQUATION: $Y = A + B \cdot X$

HOW MANY OBSERVATIONS ON EACH VARIABLE? 24

VARIABLE	MEAN	VARIANCE	STD DEVIATION
----------	------	----------	---------------

X	12.5	47.9167	6.92219
Y	414351.	6.86397 E 10	261940.

INDEX (R2)	EXPL VAR	UNEXPL VAR	STD ERROR
.977392	6.65503 E 10	1.53937 E 9	39234.8

PARAMETER	VALUE	95 PCT CONFIDENCE LIMITS	
A	88019.6	862350.	897542.
B	-37267.6	-39773.4	-34761.8

ESTIMATED VALUES OF Y (FROM THE REGRESSION) AND CONFIDENCE LIMITS FOR INDIVIDUAL VALUES OF Y, FOR EACH VALUE OF X:

X-ACTUAL	Y-ACTUAL	Y-CALC	95 PCT CONFIDENCE LIMITS	
1	736639	842928.	751538.	934319.
2	779252	805661.	715029.	896292.
3	777189	768393.	678457.	853329.
4	776275	731126.	641820.	820431.
5	743340	693858.	605117.	782599.
6	732766	656590.	568346.	744835.
7	625261	619323.	531566.	707139.
8	532547	582055.	494577.	669513.
9	521655	544787.	457617.	631958.
10	506199	507520.	420566.	594474.
11	401414	470252.	383443.	557062.
12	436743	432984.	346247.	519722.
13	378886	395717.	309050.	482454.
14	277385	358449.	271640.	445259.
15	267143	321182.	234227.	408136.
16	243689	283914.	196742.	371034.
17	196133	246646.	159183.	334104.
18	179662	209379.	121562.	297175.
19	169310	172111.	83664.	260355.
20	149897	134843.	46122.	223534.
21	149225	97575.7	8271.42	18681.
22	81226	60303.1	-20627.3	150244.
23	46620	23970.4	-67506.9	113672.
24	36770	-14227.2	-105617.	77103.1

TIME: 5 SECS.

TWA Ex. 436A, page 1
(Regression Analysis-Random Numbers)

COLLECT 13:11 TIME 10:01:00

S I M P L E L I N E A R R E G R E S S I O N

$$\text{EQUATION: } Y = A + BX$$

HOW MANY OBSERVATIONS ON EACH VARIABLE? 24

VARIABLE	MEAN	VARIANCE	STD DEVIATION
X	12.5	47.9167	6.92219
Y	532994.	7.64459 E 10	265417.

INDEX (R2)	EXPL VAR	UNEXPL VAR	STD ERROR
.989472	6.97043 E 10	741678960	27233.7

PARAMETER	VALUE	95 PCT CONFIDENCE LIMITS
A	1.66975 E 6	997710.
B	-38149.5	-39879.8 -36421.2

ESTIMATED VALUES OF Y (FROM THE REGRESSION) AND CONFIDENCE LIMITS FOR INDIVIDUAL VALUES OF Y, FOR EACH VALUE OF X:

X-ACTUAL	Y-ACTUAL	Y-CALC	95 PCT CONFIDENCE LIMITS
1	986433	971610.	958174. 1.63805 E 6
2	935845	933469.	870560. 996370.
3	916514	895329.	832922. 957755.
4	873522	857188.	795260. 919177.
5	840350	819048.	757451. 880601.
6	783931	780907.	719655. 842152.
7	746438	742767.	681812. 803722.
8	633623	704626.	643920. 765333.
9	637121	666486.	605979. 726992.
10	625165	628345.	567939. 688732.
11	578062	590205.	529943. 650441.
12	556118	552064.	491853. 612278.
13	545924	513924.	453712. 574135.
14	445447	475783.	415527. 535932.
15	402589	437643.	377234. 497822.
16	393435	399502.	338995. 459677.
17	388814	361362.	300655. 421548.
18	323639	323221.	262266. 383416.
19	262310	285081.	223922. 345332.
20	244321	246949.	185543. 307287.
21	216202	208808.	146811. 269273.
22	196691	170659.	108233. 231215.
23	193129	132519.	69609.7 193117.
24	53367	94378.1	30742.4

TWA Ex. 436A, page 2
(Regression Analysis-Random Numbers)

LIST

RANDT 12131 THUR 03-21-68

```
1 DIM A(50)
5 LET N=24
6 PRINT "THESE ARE THE RANDOM NUMBERS GENERATED TO SIMULATE"
7 PRINT "OBSERVATIONS. THE NUMBER OF OBSERVATIONS IS ",N
8 PRINT
9 PRINT "OBSERVATION", "VALUE"
15 FOR I = 1 TO N
20 LET A(I) = INT(IE6*END(P))
25 PRINT I, A(I)
30 NEXT I
35 PRINT
36 PRINT
37 PRINT "THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER."
38 PRINT "THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN."
39 PRINT
40 PRINT "RANK", "OBSERVATION", "VALUE"
45 FOR L = 1 TO N
50 LET B = 0
55 FOR I = 1 TO N
60 IF A(I) <= B THEN 80
65 LET B=A(I)
70 LET K = I
80 NEXT I
85 PRINT L, K, A(K)
90 LET A(K) = 0
100 NEXT L
110 PRINT
120 PRINT
130 PRINT "THE RANKED LIST ABOVE IS USED AS INPUT TO THE"
135 PRINT "REGRESSION PROGRAM ATTACHED. THE INDEPENDENT "
140 PRINT "VARIABLE, X, IS THE RANK OF THE OBSERVATION;"
145 PRINT "THE VALUE OF THE OBSERVATION IS THE DEPENDENT"
150 PRINT "VARIABLE, Y."
999 END
```

TWA Ex. 436A, page 3
(Regression Analysis-Random Numbers)

THESE ARE THE RANDOM NUMBERS GENERATED IN DESCENDING ORDER.
OBSERVATIONS. THE NUMBER OF OBSERVATIONS IS

OBSERVATION	VALUE
1	746433
2	196691
3	53367
4	323689
5	244321
6	625168
7	193129
8	935845
9	445447
10	262310
11	218802
12	783031
13	402599
14	848350
15	558118
16	980483
17	918514
18	873522
19	388814
20	393435
21	545924
22	578062
23	638623
24	637121

THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER.
THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN.

RANK	OBSERVATION	VALUE
1	16	980483
2	8	935845
3	17	918514
4	18	873522
5	14	848350
6	12	783031
7	1	746488
8	23	638623
9	24	637121
10	6	625168
11	22	578062
12	15	558118
13	21	545924
14	9	445447
15	13	402599
16	20	393435
17	19	388814
18	4	323689
19	10	262310
20	5	244321
21	11	218802
22	2	196691
23	7	193129
24	3	53367

THE RANKED LIST ABOVE IS USED AS INPUT TO THE
REGRESSION PROGRAM ATTACHED. THE INDEPENDENT
VARIABLE, X, IS THE RANK OF THE OBSERVATION;
THE VALUE OF THE OBSERVATION IS THE DEPENDENT
VARIABLE, Y.

TWA Ex. 436B, page 1
(Regression Analysis-Random Numbers)

SAMPLING METHOD: REEDED

EQUATION: $Y = A + BX$

HOW MANY OBSERVATIONS OF EACH VARIABLE?

VARIABLE	MEAN	VARIANCE	STD DEVIATION
X	12.5	47.9167	6.92219
Y	266497.	1.76115 E 16	132703.

INDEX (1-2)	EXPL VAR	UNEXPL VAR	STD ERROR
.989472	1.74261 E 16	135416160	13616.7

PARAMETER	VALUE	95 PCT CONFIDENCE LIMITS	
A	504375.	493355.	519495.
B	-19078.2	-19939.7	-18206.6

ESTIMATED VALUES OF Y FROM THE REGRESSION AND CONFIDENCE LIMITS FOR INDIVIDUAL VALUES OF Y, FOR EACH VALUE OF X:

X-ACTUAL	Y-ACTUAL	Y-CALC	95 PCT CONFIDENCE LIMITS	
1	490942	485305.	454037.	517522.
2	467923	466735.	435056.	498190.
3	459257	447665.	416459.	476177.
4	436761	428594.	397609.	459532.
5	424175	409524.	378726.	449322.
6	391516	390454.	359828.	421620.
7	373244	371384.	340906.	401561.
8	319312	352313.	321962.	382686.
9	318561	333243.	302997.	363496.
10	312587	314173.	283995.	344251.
11	289231	295103.	264975.	325231.
12	279059	276032.	245939.	306135.
13	272962	256962.	226859.	287765.
14	222724	237892.	207767.	268620.
15	201305	218822.	188644.	249557.
16	196715	199751.	169427.	230495.
17	194487	180681.	150324.	211637.
18	161845	161611.	131137.	192687.
19	131155	142541.	111915.	173147.
20	122161	123470.	92679.4	154267.
21	109451	104400.	73406.4	135304.
22	93266	85329.0	54117.	116542.
23	96565	66252.7	34835.7	97717.
24	266497	47177.4	15771.7	75977.1

TIME: 0.140.

TWA Ex. 436B, page 2
 (Regression Analysis-Random Numbers)
 OBSERVATION: THE ORDER OF OBSERVATION IS

24

OBSERVATION	VALUE
1	373244
2	98346
3	26684
4	161845
5	122161
6	312584
7	96565
8	467923
9	222724
10	131155
11	109401
12	391516
13	201300
14	424175
15	279059
16	498242
17	459257
18	436761
19	194407
20	196718
21	272962
22	289031
23	319312
24	318561

THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER.
 THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN.

RANK	OBSERVATION	VALUE
1	16	498242
2	8	467923
3	17	459257
4	18	436761
5	14	424175
6	12	391516
7	1	373244
8	23	319312
9	24	318561
10	4	312584
11	22	289031
12	15	279059
13	21	272962
14	9	222724
15	13	201300
16	20	196718
17	19	194407
18	4	161845
19	16	131155
20	3	122161
21	11	109401
22	2	98346
23	7	96565
24	3	26684

THE RANKED LIST ABOVE IS USED AS INPUT TO THE
 REGRESSION PROGRAM ATTACHED. THE INDEPENDENT
 VARIABLE, X, IS THE RANK OF THE OBSERVATION;
 THE VALUE OF THE OBSERVATION IS THE DEPENDENT
 VARIABLE, Y.

TIME: 2 SECS.

TWA Ex. 436B, page 3
(Regression Analysis-Random Numbers)

(b)

LIST

RANDT 12:38 THUR 03-21-68

```
1 DIM A(50)
5 LET N=24
6 PRINT "THESE ARE THE RANDOM NUMBERS GENERATED TO SIMULATE"
7 PRINT "OBSERVATIONS. THE NUMBER OF OBSERVATIONS IS ",N
8 PRINT
9 PRINT "OBSERVATION", "VALUE"
15 FOR I = 1 TO N
→ 20 LET A(I) = INT(.5*1E6*RND(P)+.5)
25 PRINT I, A(I)
30 NEXT I
35 PRINT
36 PRINT
37 PRINT "THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER."
38 PRINT "THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN."
39 PRINT
— 40 PRINT "RANK", "OBSERVATION", "VALUE"
45 FOR L = 1 TO N
50 LET B = 0
55 FOR I = 1 TO N
60 IF A(I) <= B THEN 80
65 LET B=A(I)
70 LET K = I
80 NEXT I
85 PRINT L, K, A(K)
90 LET A(K) = 0
100 NEXT L
110 PRINT
120 PRINT
130 PRINT "THE RANKED LIST ABOVE IS USED AS INPUT TO THE"
135 PRINT "REGRESSION PROGRAM ATTACHED. THE INDEPENDENT "
140 PRINT "VARIABLE, X, IS THE RANK OF THE OBSERVATION;"
145 PRINT "THE VALUE OF THE OBSERVATION IS THE DEPENDENT"
150 PRINT "VARIABLE, Y."
999 END
```

SIMPLE LINEAR REGRESSION

EQUATION: $Y = A + BX$

HOW MANY OBSERVATIONS ON EACH VARIABLE: 24

VARIABLE	MEAN	VARIANCE	STD DEVIATION
X	12.5	47.9167	6.92219
Y	166497.	1.76115 E 10	132708.

INDEX (1-24)	EXPL VAR	UNEXPL VAR	STD ERROR
.989472	1.74861 E 10	185416288	13616.8

PARAMETER	VALUE	95 PCT CONFIDENCE LIMITS
A	454875.	398855. 416895.
B	-19678.2	-19939.9 -16280.6

ESTIMATED VALUES OF Y (FROM THE REGRESSION) AND CONFIDENCE LIMITS FOR INDIVIDUAL VALUES OF Y, FOR EACH VALUE OF X:

X-ACTUAL	Y-ACTUAL	Y-CALC	95 PCT CONFIDENCE LIMITS	
1	396242	385895.	354087.	417523.
2	367923	366735.	335200.	396189.
3	359257	347665.	316452.	378877.
4	336761	328594.	297609.	359586.
5	324175	309524.	278726.	340322.
6	291516	290454.	259828.	321033.
7	273244	271334.	240906.	301861.
8	219312	252313.	221969.	282666.
9	216561	233243.	202990.	263496.
10	212584	214173.	183995.	244351.
11	189031	195103.	164975.	225231.
12	179859	176032.	145929.	206135.
13	172962	156962.	126859.	187065.
14	122724	137892.	107764.	168020.
15	101309	118822.	88643.5	149680.
16	96718	99751.4	69498.2	130905.
17	94487	80681.1	50328.1	111934.
18	61845	61610.9	31133.5	92088.2
19	31155	42545.6	11914.7	73166.5
20	22161	23479.4	-7327.89	54268.7
21	9431	4400.15	-26594.	35394.3
22	-1654	-14670.1	-45523.	16542.9
23	-3435	-33740.3	-65194.7	-2236.81
24	-73316	-52819.6	-84525.3	-21092.9

TIME: 5 SECS.

TWA Ex. 436C, page 2

1. THE REGRESSION ANALYSIS-RANDOM NUMBERS

OBSERVATION. THE NEW RANK OF THE OBSERVATION IS

24

OBSERVATION	VALUE
1	273244
2	-1654
3	-73316
4	61845
5	22161
6	212584
7	-5435
8	367923
9	122724
10	31155
11	9401
12	291516
13	101300
14	324175
15	179059
16	390242
17	359257
18	336761
19	94407
20	96718
21	172962
22	189031
23	219312
24	218561

THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER.
THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN.

RANK	OBSERVATION	VALUE
1	16	390242
2	8	367923
3	17	359257
4	18	336761
5	14	324175
6	12	291516
7	1	273244
8	23	219312
9	24	218561
10	6	212584
11	22	189031
12	15	179059
13	21	172962
14	5	122724
15	13	101300
16	20	96718
17	19	94407
18	4	61845
19	10	31155
20	7	22161
21	11	9401
22	11-2	0-1654
23	11-7	0-73316
24	11-3	0-73316

THE RANKED LIST ABOVE IS USED AS INPUT TO THE
REGRESSION PROGRAM ATTACHED. THE INDEPENDENT
VARIABLE, X, IS THE RANK OF THE OBSERVATION;
THE VALUE OF THE OBSERVATION IS THE DEPENDENT
VARIABLE, Y.

TIME: 2 SECS.

TWA Ex. 436C, page 3
(Regression Analysis-Random Numbers)

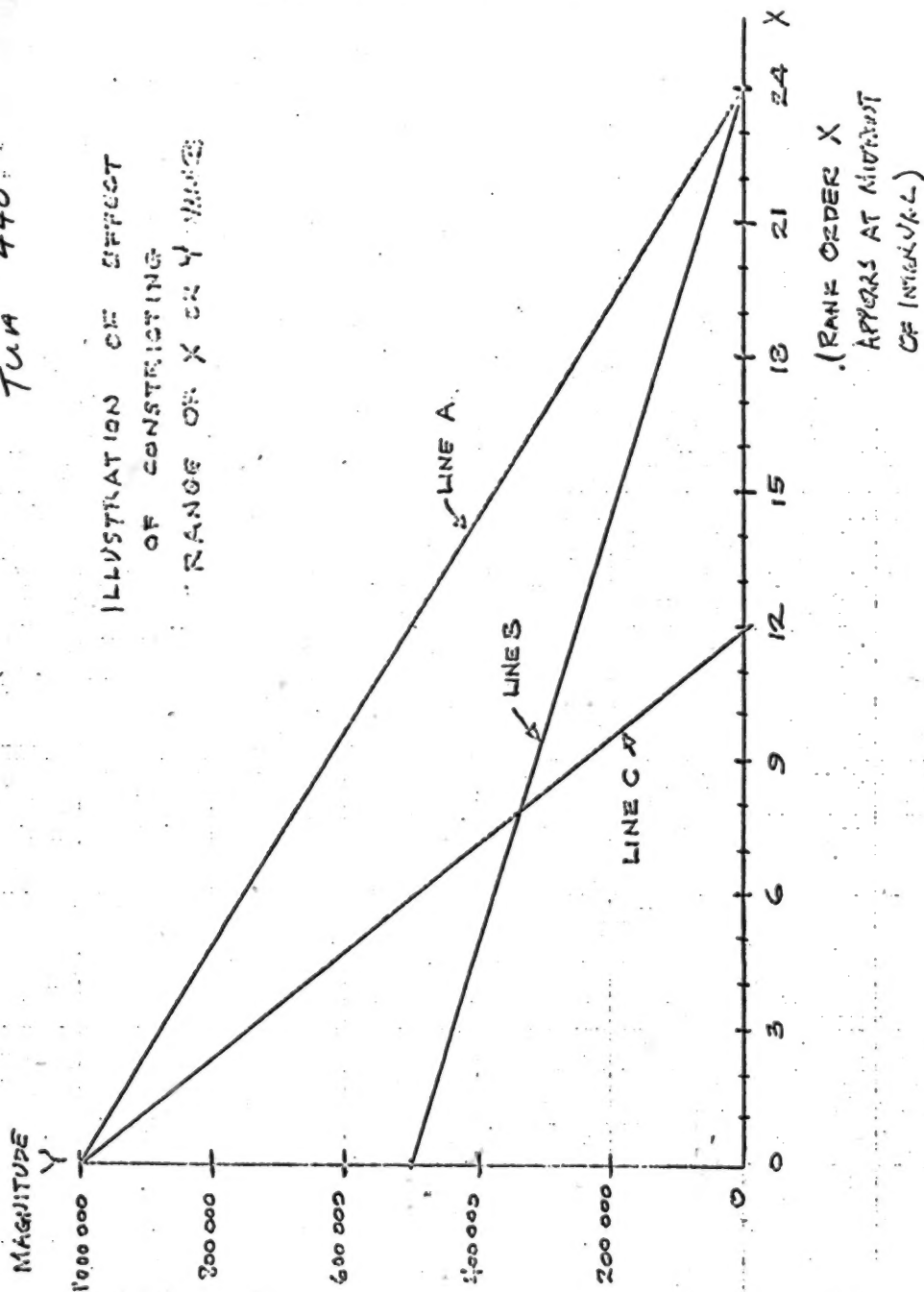
RANDT 12152 0001 03-21-68

```

1 DIM A(50)
5 LET N=24
6 PRINT "THESE ARE THE RANDOM NUMBERS GENERATED TO SIMULATE"
7 PRINT "OBSERVATIONS. THE NUMBER OF OBSERVATIONS IS ",N
8 PRINT
9 PRINT "OBSERVATION", "VALUE"
15 FOR I = 1 TO N
→ 20 LET A(I) = INT(.5*1E6*RND(P) 4.5 - 1E5)
25 PRINT I, A(I)
30 NEXT I
35 PRINT
36 PRINT
37 PRINT "THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER."
38 PRINT "THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN."
39 PRINT
40 PRINT "RANK", "OBSERVATION", "VALUE"
45 FOR L = 1 TO N
50 LET B=0
55 FOR I = 1 TO N
60 IF A(I) <= B THEN 80
65 LET B=A(I)
70 LET K = I
80 NEXT I
85 PRINT L, K, A(K)
90 LET A(K) = 0
100 NEXT L
110 PRINT
120 PRINT
130 PRINT "THE RANKED LIST ABOVE IS USED AS INPUT TO THE"
135 PRINT "REGRESSION PROGRAM ATTACHED. THE INDEPENDENT "
140 PRINT "VARIABLE, X, IS THE RANK OF THE OBSERVATION;"
145 PRINT "THE VALUE OF THE OBSERVATION IS THE DEPENDENT"
150 PRINT "VARIABLE, Y."
999 END

```

TWA Ex. 440
(Graph Illustrating Testimony of Prof. Hare)



SUMMARY OF REGRESSION EXPERIMENT 3/23/68

Run No.	R ²	A	B	Std. Error	Std. Dev. of Y	Residual
1	.981903	995130	-37500.6	35241.7	261958	526392
2	.983119	1047320	-44644.5	40496.2	311680	189230
3	.986267	1037060	-41017.0	33519.8	266295	526392
Average	.983763	1026570	-41061.0	36429.2	286647	513072
4	.978981	471174	-20223.2	20512.4	111464	218500
5	.983360	519025	-28417.1	15267.6	128396	280022
6	.991147	505656	-25793.1	14379.3	132822	280022
Average	.983200	498616	-20266.4	16719.8	140501	218500

Source: Data from Computer Printouts Numbered 1-6, Program CORR2 3/23/68.

Each Run uses a different set of 24 Random Numbers as Y, with

Rank as X. Range of Runs 1-3 is 0-2,000,000. Range of Runs 4-6

is 0-500,000.

TWA Ex. 441, page 2
(Regression Experiment, 3/23/68)

STATISTIC	MEAN	VARIANCE	STD. DEVIATION
X	15.5	47.2167	6.92919
Y	526572.	6.7797 E 10	261984.

INDEX OF FIT	PARAM. VAR.	DISP. VAR.	STD. ERROR
.981993	6.75 E 10	1.24171 E 9	35241.7

PARAMETER	VALUE	95 PCT. CONFIDENCE LIMITS
A	225150.	97755.4 - 1.01271 E 6
B	-37506.2	-39751.2 - 35242.5

ESTIMATED VALUES OF Y FROM THE REGRESSION AND CONFIDENCE LIMITS FOR ESTIMATED VALUES OF Y FOR EACH VALUE OF X:

X-ACTUAL	Y-ACTUAL	Y-CALC	95 PCT. CONFIDENCE LIMITS	
1	900413	957699.	675547.	1.03471 E 6
2	935745	997198.	525721.	1.01134 E 6
3	913514	952623.	891345.	963410.
4	873598	845147.	764911.	928343.
5	848350	867697.	727917.	897336.
6	70531	77126.	696163.	843315.
7	60623	73625.	653747.	811517.
8	637101	625135.	614557.	775151.
9	624101	657324.	579356.	728323.
10	587564	621224.	549119.	694891.
11	575169	52670.	524643.	66359.
12	554113	521222.	467612.	605739.
13	525024	507632.	429712.	588511.
14	445477	474141.	392177.	547016.
15	423559	432491.	354816.	511725.
16	393435	375111.	316301.	478410.
17	380014	357619.	279479.	427170.
18	390713	396119.	241270.	391170.
19	260015	212015.	222015.	361171.
20	224564	265111.	164279.	322577.
21	211111	211111.	129911.	297111.
22	181111	111111.	70320.7	257111.
23	151111	111111.	511111.	217111.
24	52567	111111.	151111.	177111.

TWA Ex. 441, page 3
(Regression Experiment, 3/23/68)

THE NUMBER OF OBSERVATIONS IS 24

OBSERVATION	VALUE
1	196691
2	53367
3	323689
4	244321
5	625168
6	193129
7	935845
8	445447
9	262319
10	218802
11	783031
12	402599
13	848350
14	558118
15	980483
16	918514
17	873522
18	388814
19	393435
20	545924
21	578062
22	638623
23	637121
24	587564

THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER.
THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN.

RANK	OBSERVATION	VALUE
1	15	980483
2	7	935845
3	16	918514
4	17	873522
5	13	848350
6	11	783031
7	22	638623
8	23	637121
9	5	625168
10	24	587564
11	21	578062
12	14	558118
13	20	545924
14	8	445447
15	12	402599
16	19	393435
17	18	388814
18	3	323689
19	9	262319
20	4	244321
21	10	218802
22	1	196691
23	6	193129
24	2	53367

THE RANKED LIST ABOVE IS USED AS INPUT TO THE
REGRESSION PROGRAM ATTACHED. THE INDEPENDENT
VARIABLE, X, IS THE RANK OF THE OBSERVATION;
THE VALUE OF THE OBSERVATION IS THE DEPENDENT
VARIABLE, Y.

TIME: 2 SECS.

TWA Ex. 441, page 6
(Regression Experiment, 3/23/68)

FUNCTION: Y = A + BX

HOW MANY OBSERVATIONS OF EACH VARIABLE? 24

VARIABLE	MEAN	VARIANCE	STD DEVIATION
X	12.5	47.9167	6.92219
Y	523636.	3.12645 E 10	236295.

INDEX (1-24)	EXPL. VAR	UNEXPL. VAR	STD ERROR
.986267	3.00390 E 10	1.12559 E 9	33549.6

PARAMETER	VALUE	95 PCT CONFIDENCE LIMITS	
A	-1.03766 E 6	1.02223 E 6	1.05189 E 6
B	-41074.	-43216.7	-39931.3

ESTIMATED VALUES OF Y (FROM THE REGRESSION) AND CONFIDENCE LIMITS FOR INDIVIDUAL VALUES OF Y, FOR EACH VALUE OF X:

X-ACTUAL	Y-ACTUAL	Y-CALC	95 PCT CONFIDENCE LIMITS	
1	999719	995987.	917839.	1.07414 E 6
2	977089	954913.	877414.	1.03241 E 6
3	853160	913839.	836935.	990744.
4	821163	872765.	796400.	949131.
5	803868	831691.	755809.	907574.
6	783170	790617.	715159.	866075.
7	772466	749543.	674451.	824635.
8	716346	708469.	633684.	783255.
9	661107	667395.	592856.	741935.
10	633202	626321.	551967.	700676.
11	623256	585247.	511016.	659478.
12	553291	544173.	470004.	618342.
13	552139	503099.	428938.	577263.
14	539496	462025.	387794.	536256.
15	487186	420951.	346597.	495306.
16	379189	379877.	305333.	454417.
17	365923	338803.	264018.	413559.
18	342532	297729.	222607.	372821.
19	218432	256655.	181197.	332113.
20	211305	215531.	139699.	291464.
21	130813	174507.	98142.	250372.
22	92218	133432.	56589.8	210203.
23	73165	92359.2	14880.1	169853.
24	50935	51275.8	-26862.9	129433.

TIME: 7.3100.

TWA Ex. 441, page 7
(Regression Experiment, 3/23/68)

OBSERVATION	VALUE
1	211305
2	552137
3	783170
4	407186
5	999719
6	553291
7	821168
8	661107
9	379109
10	73165
11	977009
12	803363
13	90210
14	539496
15	365923
16	633202
17	623256
18	130013
19	853160
20	716846
21	218482
22	772466
23	53938
24	342532

THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER.
THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN.

RANK	OBSERVATION	VALUE
1	5	999719
2	11	977009
3	19	853160
4	7	821168
5	12	803363
6	3	783170
7	22	772466
8	20	716846
9	8	661107
10	16	633202
11	17	623256
12	6	553291
13	2	552139
14	14	539496
15	4	407186
16	9	379109
17	15	365923
18	24	342532
19	21	218482
20	1	211305
21	18	130013
22	13	90210
23	10	73165
24	23	53938

THE RANKED LIST ABOVE IS USED AS INPUT TO THE
REGRESSION PROGRAM ATTACHED. THE INDEPENDENT
VARIABLE, X, IS THE RANK OF THE OBSERVATION;
THE VALUE OF THE OBSERVATION IS THE DEPENDENT
VARIABLE, Y.

TIME: 2 SECS.

TWA Ex. 441, page 4
(Regression Experiment, 3/23/68)

SINGLE LINEAR REGRESSION

$$\text{EQUATION: } Y = A + BX$$

HOW MANY OBSERVATIONS OF EACH VARIABLE? 24

VARIABLE	MEAN	VARIANCE	STD DEVIATION
X	12.5	47.9167	6.92219
Y	439263.	9.71442 E 10	311680.

INDEX [R:2]	EXPL VAR	UNEXPL VAR	STD ERROR
.983119	9.55942 E 10	1.63994 E 9	40496.2

PARAMETER	VALUE	95 PCT CONFIDENCE LIMITS	
A	1.04732 E 6	1.02942 E 6	1.06523 E 6
B	-44644.5	-47230.9	-42058.1

ESTIMATED VALUES OF Y (FROM THE REGRESSION) AND CONFIDENCE LIMITS FOR INDIVIDUAL VALUES OF X, FOR EACH VALUE OF X:

X-ACTUAL	Y-ACTUAL	Y-CALC	95 PCT CONFIDENCE LIMITS	
1	939371	1.00263 E 6	938351.	1.09701 E 6
2	985279	953035.	864490.	1.05158 E 6
3	952203	913391.	820564.	1.00622 E 6
4	874474	863746.	776570.	968922.
5	856517	824102.	732508.	915696.
6	827633	779457.	686376.	870539.
7	754925	734813.	644173.	825452.
8	736180	690168.	599898.	780433.
9	633676	645524.	555551.	735496.
10	497782	600379.	511130.	690629.
11	475212	556235.	466634.	645935.
12	473395	511590.	422065.	601116.
13	420271	466946.	377420.	556471.
14	420227	422301.	332791.	511991.
15	391976	377657.	287907.	467426.
16	349763	333012.	243039.	422955.
17	244579	288368.	198098.	378637.
18	201118	243723.	153034.	334363.
19	199469	199079.	107897.	290160.
20	145666	154404.	62340.2	246023.
21	104733	109774.	17613.3	201966.
22	96170	65145.1	-27612.	157972.
23	76776	20870.6	-73044.4	114044.
24	25133	-24145.0	-116472.	70164.5

TWA Ex. 441, page 5
(Regression Experiment, 3/23/68)
THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER.
THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN.

OBSERVATION	VALUE
1	952203
2	985279
3	6776
4	96170
5	736180
6	856517
7	827633
8	874474
9	420227
10	430071
11	754923
12	475212
13	244579
14	633676
15	473895
16	201118
17	199469
18	145066
19	349762
20	104926
21	25133
22	391976
23	497782
24	989371

THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER.
THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN.

RANK	OBSERVATION	VALUE
1	24	989371
2	2	985279
3	1	952203
4	8	874474
5	6	856517
6	7	827633
7	11	754923
8	5	736180
9	14	633676
10	23	497782
11	12	475212
12	15	473895
13	10	430071
14	9	420227
15	22	391976
16	19	349762
17	13	244579
18	16	201118
19	17	199469
20	18	145066
21	20	104926
22	4	96170
23	3	76776
24	21	25133

THE RANKED LIST ABOVE IS USED AS INPUT TO THE
REGRESSION PROGRAM ATTACHED. THE INDEPENDENT
VARIABLE, X, IS THE RANK OF THE OBSERVATION;
THE VALUE OF THE OBSERVATION IS THE DEPENDENT
VARIABLE, Y.

TWA Ex. 441, page 8
(Regression Experiment, 3/23/68)

HOW MANY OBSERVATIONS ON EACH VARIABLE?

VARIABLE	MEAN	VARIANCE	STD DEVIATION
X	12.5	47.9167	6.92219
Y	218334.	2.46177 E 10	141454.

INDEX (1-23)	EXPL. VAR	UNEXPL. VAR	STD ERROR
.973281	1.95969 E 10	429759456	20512.4

PARAMETER	VALUE	95 PCT CONFIDENCE LIMITS	
A	471174.	462106.	480243.
B	-20223.2	-21533.3	-18913.2

ESTIMATED VALUES OF Y (FROM THE REGRESSION) AND CONFIDENCE LIMITS FOR INDIVIDUAL VALUES OF X, FOR EACH VALUE OF X:

X-ACTUAL	Y-ACTUAL	Y-CALC	95 PCT CONFIDENCE LIMITS	
1	433060	450951.	403171.	493731.
2	403536	430727.	393345.	478111.
3	397117	410504.	363425.	457524.
4	339595	390281.	343591.	436971.
5	336154	370058.	323663.	416453.
6	367146	349835.	303700.	395979.
7	337023	329612.	283700.	375523.
8	333100	309388.	263664.	355112.
9	318196	289165.	243591.	334739.
10	233927	268942.	223431.	314422.
11	273693	248719.	203334.	294194.
12	269353	228495.	183145.	273843.
13	169943	208272.	162925.	252619.
14	166749	188049.	142664.	233424.
15	153204	167826.	122365.	213286.
16	137933	147602.	102025.	193176.
17	93127	127379.	81655.1	173103.
18	97235	107156.	61244.6	153067.
19	85358	86932.7	40797.6	132567.
20	72286	66709.5	20314.7	113104.
21	24366	46486.2	-203.57	93176.1
22	18336	26263.	-20756.5	73922.5
23	17753	6029.77	-41343.3	52422.9
24	14720	-14103.5	-61963.3	33596.4

TWA Ex. 441, page 9
 OBSERVATION NUMBER (Regression Experiment, 3/23/68)

OBSERVATION	VALUE
1	433060
2	72286
3	166749
4	283997
5	153204
6	337933
7	403536
8	97985
9	14790
10	269353
11	169948
12	389595
13	137933
14	333100
15	273603
16	310196
17	17753
18	367146
19	397117
20	386154
21	24366
22	85358
23	98107
24	18836

THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER.
 THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN.

RANK	OBSERVATION	VALUE
1	1	433060
2	7	403536
3	19	397117
4	12	389595
5	20	386154
6	18	367146
7	6	337933
8	14	333100
9	16	310196
10	4	283997
11	15	273603
12	10	269353
13	11	169948
14	3	166749
15	5	153204
16	13	137933
17	23	98107
18	8	97985
19	22	85358
20	1	72286
21	21	24366
22	24	18836
23	17	17753
24	9	14790

THE RANKED LIST ABOVE IS USED AS INPUT TO THE
 REGRESSION PROGRAM ATTACHED. THE INDEPENDENT
 VARIABLE, X, IS THE RANK OF THE OBSERVATION;
 THE VALUE OF THE OBSERVATION IS THE DEPENDENT
 VARIABLE, Y.

TIME: 2 SECS.

TWA Ex. 441, page 10
(Regression Experiment, 3/23/68)

SINGLE LINEAR REGRESSION

$$Y = A + BX$$

HOW MANY OBSERVATIONS ON EACH VARIABLE? 24

VARIABLE	MEAN	VARIANCE	STD DEVIATION
X	12.5	47.9167	6.92219
Y	238811.	1.64752 E 10	128395.

INDEX CR:23	EXPL VAR	UNEXPL VAR	STD ERROR
.98556	1.62523 E 10	233106304	15267.8

PARAMETER	VALUE	95 PCT CONFIDENCE LIMITS
A	519025.	512275. 525774.
B	-16417.1	-19392.2 -17442.

ESTIMATED VALUES OF Y (FROM THE REGRESSION) AND CONFIDENCE LIMITS FOR INDIVIDUAL VALUES OF Y, FOR EACH VALUE OF X:

X-ACTUAL	Y-ACTUAL	Y-CALC	95 PCT CONFIDENCE LIMITS	
1	433676	500607.	465044.	536171.
2	434610	482198.	446922.	517459.
3	454178	463773.	428776.	498771.
4	434344	445356.	410694.	480102.
5	407619	426939.	392456.	461472.
6	402868	408522.	374183.	442861.
7	395903	390105.	355932.	424273.
8	367109	371688.	337654.	405721.
9	346033	353271.	319349.	387192.
10	337986	334854.	301016.	368691.
11	330968	316436.	282655.	350217.
12	309191	298019.	264266.	331772.
13	304748	279602.	245849.	313355.
14	273433	261185.	227464.	294966.
15	269155	242768.	208931.	276605.
16	232709	224351.	190499.	258272.
17	203254	205934.	171906.	239967.
18	202809	187517.	153344.	221682.
19	174253	169100.	134769.	203420.
20	163423	150682.	116150.	185215.
21	131122	132265.	97513.2	167012.
22	125661	113848.	78854.7	148846.
23	76003	95431.2	60163.	130699.
24	31107	77014.1	41450.5	112573.

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(Regression Experiment, 3/23/68)

1	76108
2	484619
3	273438
4	384748
5	337986
6	434844
7	131132
8	108661
9	367109
10	395903
11	346088
12	202209
13	454178
14	269155
15	163423
16	174258
17	31808
18	330968
19	203254
20	488676
21	407619
22	232709
23	
24	

THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER.
THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN.

RANK	OBSERVATION	VALUE
1	22	488676
2	4	484610
3	15	454178
4	8	434844
5	23	407619
6	1	402888
7	12	395903
8	11	367109
9	13	346088
10	7	337986
11	20	330968
12	3	309191
13	6	304748
14	5	273438
15	16	269155
16	24	232709
17	21	203254
18	14	202209
19	18	174258
20	17	163423
21	9	131132
22	10	108661
23	2	76608
24	19	31808

THE RANKED LIST ABOVE IS USED AS INPUT TO THE
REGRESSION PROGRAM ATTACHED. THE INDEPENDENT
VARIABLE, X, IS THE RANK OF THE OBSERVATION;
THE VALUE OF THE OBSERVATION IS THE DEPENDENT
VARIABLE, Y.

TIME: 2 SECS.

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(Regression Experiment, 3/23/68)

DETAILED SUMMARY OF RESULTS

FOURTH YEAR DATA

FOR THE DISTRIBUTION OF THE DEPENDENT VARIABLE

VARIABLE	MEAN	VARIANCE	STD DEVIATION
X	12.5	47.9167	6.92219
Y	230211.	2.33544 E 15	152322.

INDEX (R+2)	EXPL VAR	UNEXPL VAR	STD ERROR
.991147	2.31477 E 15	266764512	14379.3

PARAMETER	VALUE	95 PCT CONFIDENCE LIMITS
A	505450.	499293. 512007.
B	-21979.1	-22397.5 -21660.8

ESTIMATED VALUES OF Y (FROM THE REGRESSION) AND CONFIDENCE LIMITS FOR INDIVIDUAL VALUES OF Y, FOR EACH VALUE OF X:

X-ACTUAL	Y-ACTUAL	Y-CALC	95 PCT CONFIDENCE LIMITS	
1	484331	483671.	459177.	517165.
2	483695	461692.	428476.	494908.
3	460628	439713.	406752.	472674.
4	430315	417734.	375804.	450764.
5	391293	395755.	363232.	428278.
6	368179	373776.	341435.	406117.
7	375089	351797.	319612.	383931.
8	305873	329817.	297765.	361876.
9	291581	307837.	275891.	339786.
10	275266	285859.	253991.	317727.
11	264226	263880.	232065.	295695.
12	249318	241901.	210112.	273698.
13	193950	219922.	188133.	251711.
14	181657	197943.	166125.	229750.
15	170900	175964.	144796.	207832.
16	152247	153985.	122837.	185928.
17	116162	132005.	99959.6	164053.
18	114352	110026.	77442.2	142619.
19	91218	88047.2	55796.2	121214.
20	72335	66163.1	33545.1	98821.1
21	36442	44009.	11359.2	76113.8
22	25295	22109.9	-10051.	55074.7
23	5197	100139	-33045.	33044.5
24	745	-8104.4	-55042.2	11645.9

OBSERVATION	VALUE
1	460698
2	484331
3	264226
4	745
5	305873
6	375089
7	159247
8	36442
9	483895
10	249818
11	25299
12	116169
13	114882
14	72385
15	170000
16	391293
17	193950
18	181657
19	275966
20	388179
21	91218
22	291501
23	400815
24	8197

THESE ARE THE RANDOM NUMBERS IN DESCENDING ORDER.
THE OLD OBSERVATION NUMBER AND THE NEW RANK ARE SHOWN.

RANK	OBSERVATION	VALUE
1	2	484331
2	9	483895
3	1	460698
4	23	400815
5	16	391293
6	20	388179
7	6	375089
8	5	305873
9	22	291501
10	19	275966
11	3	264226
12	10	249818
13	17	193950
14	18	181657
15	15	170000
16	7	159247
17	12	116169
18	13	114882
19	21	91218
20	14	72385
21	8	36442
22	11	25299
23	24	8197
24	4	745

THE RANKED LIST ABOVE IS USED AS INPUT TO THE
REGRESSION PROGRAM ATTACHED. THE INDEPENDENT
VARIABLE, X, IS THE RANK OF THE OBSERVATION;
THE VALUE OF THE OBSERVATION IS THE DEPENDENT
VARIABLE, Y.

TIME: 2 SECS.

TWA Ex. 444
(C. & C. Tabulation - Additional TWA Domestic Seat - Miles)

TWA v. HUGHES

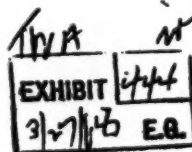
TOTAL AVAILABLE SEAT-MILES OPERATED

DOMESTIC SCHEDULED SERVICE ONLY

TWA, UAL AND AAL

ALL AIRCRAFT TYPES, 1959-1963

Year	TWA, UAL and AAL Historical Seat-Miles (A)	TWA Estimated Additional Seat-Miles (B)	Percent Additions by TWA
	(Millions)		
1959	21,738	105	0.5%
1960	24,827	910	3.7
1961	29,020	1,018	3.5
1962	34,613	774	2.2
1963	37,969	638	1.7



Year	TWA Only Historical Seat-Miles (A)	TWA Estimated Additional Seat-Miles (B)	Percent Additions
	(Millions)		
1959	6,492	105	1.6%
1960	6,962	910	13.1
1961	7,487	1,018	13.6
1962	8,623	774	9.0
1963	10,042	638	6.4

(A) Source: CAB Handbook of Airline Statistics (1965 Edition).

(B) Source: C&C Report (May 2, 1966) Volume I, Chapters II-V;
Exhibits TWA 42, 42A, 43A and DX 262.

Coverdale & Colpitts
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March 22, 1968